



Public Service Commission of Wisconsin

Ave M. Bie, Chairperson
Joseph P. Mettner, Commissioner
John H. Farrow, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

Mr. Joel P. Dohmeier
Manager-External Relations
TDS TELECOM
P.O. Box 5158
Madison, WI 53705-0158

RE: In the Matter of Prescribing an Uniform System of Accounts for Class A 05-US-102
and Class B Telephone Utilities

Waiver Request of TDS TELECOM on Behalf of Its 15 Incumbent Local Exchange
Carriers in Wisconsin Concerning Accounting for and Reporting of Embedded Balances
for Selected General Support Assets Effective January 1, 1998

Dear Mr. Dohmeier:

At its open meeting of March 23, 1999, the Commission approved the waiver request of TDS TELECOM, on behalf of the 15 incumbent local exchange carriers itemized below, to account for the embedded balances of selected general support assets, effective January 1, 1998, in a telecommunications plant in service account, 2130000, and its associated accumulated depreciation counterpart, account 3121300. Both of these accounts were created internally by TDS TELECOM. This treatment represents a waiver of the accounting treatment prescribed in the Commission's letter order dated December 22, 1997, in docket 05-US-102.

As a condition of this waiver, TDS TELECOM shall report the associated telecommunications plant in service and accumulated depreciation activity in account 2113, Aircraft, in the individual incumbent local exchange carrier annual reports to be filed with the Commission. The particulars associated with this treatment, including the date of the Commission's waiver, shall also be addressed in a footnote. Granting of this waiver will allow TDS TELECOM to consolidate and report the embedded balances in account 2113, Aircraft, rather than in the respective general support asset accounts.

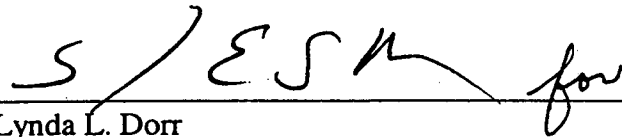
TDS TELECOM's 15 incumbent local exchange carriers (and respective Commission identification numbers) covered by this waiver are as follows: Badger Telecom, Inc. (0300), Black Earth Telephone Company (0540), Bonduel Telephone Company (0640), Burlington, Brighton and Wheatland Telephone Company (0850), Central State Telephone Company (1020), Eastcoast Telecom, Inc. (3880), Grantland Telecom, Inc. (4580), Midway Telephone Company (3660), Mount Vernon Telephone Company (3970), Riverside Telecom, Inc. (5140), Scandinavia Telephone Company (5280), Stockbridge and Sherwood Telephone Company (5710), Tenney Telephone Company (5850), UTELCO Inc. (6030), and Waunakee Telephone Company (6250).

Mr. Joel P. Dohmeier
Docket 05-US-102
Page 2

The Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders. If you have any questions concerning this matter, please contact Kevin Klingbeil of the Telecommunications Division at (608) 267-9504.

Dated at Madison, Wisconsin, 3/24/99

By the Commission:

A handwritten signature in black ink, appearing to read 'S/ESM for', is written over a horizontal line.

Lynda L. Dorr
Secretary to the Commission

LLD:RSC:KHKreb:g:\letter orders\pending\05-US-102

cc: Records Management, MFC
Tim Long, TDS TELECOM

See attached Notice of Appeal Rights.

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

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If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98



Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman
Daniel J. Eastman, Commissioner
Joseph P. Mettner, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

TO: All Utilities Subject to the Uniform System of Accounts for Class A and Class B Telephone Utilities

RE: In the Matter of Prescribing an Uniform System of Accounts for Class A and Class B Telephone Utilities 05-US-102

Supplemental Order to Incorporate Changes to the Uniform System of Accounts Adopted by the Federal Communications Commission (FCC) Concerning an Increase in the Expense Limit for Selected General Support Assets and Associated Amortization of Embedded Balances Effective January 1, 1998

By order dated October 1, 1987, in docket 05-US-102, the Commission adopted and prescribed with certain amendments the Uniform System of Accounts (USOA), as set forth in FCC docket 78-196, for use by the Class A and Class B telephone companies under its jurisdiction. This Commission by supplemental orders in docket 05-US-102, dated May 2, 1989, February 6, 1990, June 17, 1993, July 15, 1994, and October 31, 1995, prescribed amendments to this system of accounts.

On March 1, 1994, the United States Telephone Association (USTA) petitioned the FCC to raise the expense limit for selected general support assets from \$500 to \$2,000 and to authorize an amortization period for embedded costs which were capitalized before the \$2,000 limit is effective. The FCC issued an order in CC Docket No. 95-60 on May 30, 1997, in which the expense limit revisions and a 5-year amortization period for embedded balances, with an exception for personal computers, are authorized **effective January 1, 1998**.

The details of these changes, **effective January 1, 1998**, are listed below. Formal changes to this Commission's USOA in docket 05-US-102 are set forth in Attachment A.

1. Individual items of equipment costing \$2,000 or less or having a life less than one year which are classifiable in the following accounts shall be charged to the applicable plant specific operations expense accounts, with the exception of personal computers as discussed in item 2 below.

Account 2112, Motor Vehicles
Account 2113, Aircraft
Account 2114, Special Purpose Vehicles
Account 2115, Garage Work Equipment
Account 2116, Other Work Equipment
Account 2122, Furniture
Account 2123, Office Equipment
Account 2124, General Purpose Computers

2. Personal computers and all components thereof classifiable to Account 2124, costing \$500 or less shall be charged to the applicable plant specific operations expense accounts. The \$500 expense limit for personal computers is retained. In addition, the FCC clarified that all of the components of a personal computer, including initial operating software, should be considered as a single unit to determine whether the cost of a personal computer exceeds the expense limit. If the total cost of a personal computer's components exceeds the expense limit, all of its components should be capitalized.
3. Pursuant to the FCC's order, the undepreciated portion of embedded assets affected by this rule change (assets costing \$501 to \$2,000) should be amortized over a 5-year period, effective January 1, 1998. This shall be accomplished by segregating and accounting for the embedded plant balances and associated accumulated depreciation for the equipment described above in subsidiary records. The following example shows the applicable accounting procedures:

Subsidiary Record - Total Plant of \$2,000 or Less

<u>Account Number and Name</u>	<u>Plant Bal. 1/1/98</u>	<u>Amortization Period (Mos.)</u>	<u>Monthly Amortization Amount</u>
2115-Garage Work Equipment	\$12,000	60	\$ 200
2116-Other Work Equipment	6,000	60	100
2122-Furniture	4,200	60	70
2123-Office Equipment	7,200	60	120
Total			<u>\$ 490</u>

<u>Account Number and Name</u>	<u>Accumulated Depreciation Bal. 1/1/98</u>	<u>Amortization Period (Mos.)</u>	<u>Monthly Amortization Amount</u>
2115-Garage Work Equipment	\$ 3,000	60	\$ 50
2116-Other Work Equipment	2,400	60	40
2122-Furniture	1,500	60	25
2123-Office Equipment	4,800	60	80
Total			<u>\$ 195</u>

Under the FCC's approach, the difference between these two amounts (\$490-\$195=\$295) is debited to Account 6565, Amortization Expense-Other, by Class A telephone companies or Account 6560, Depreciation and Amortization Expenses, by Class B telephone companies. The monthly accounting entry (excluding associated impacts on deferred taxes and investment tax credits) would be as follows:

<u>Account Number and/or Name</u>	<u>Dr.</u>	<u>Cr.</u>
Account 6565 or 6560	\$295	
Accumulated Depreciation-Account 2115	50	
Accumulated Depreciation-Account 2116	40	
Accumulated Depreciation-Account 2122	25	
Accumulated Depreciation-Account 2123	80	
Account 2115, Garage Work Equipment		\$200
Account 2116, Other Work Equipment		100
Account 2122, Furniture		70
Account 2123, Office Equipment		120

At the end of 60 months (five years) the associated subsidiary plant and accumulated depreciation balances will be zero and the original net book value will have been charged to amortization expense.

On August 12, 1997, a draft of this letter order was provided to the Wisconsin State Telecommunications Association, Inc. (WSTA), and its accounting committee for comments. In a letter dated November 20, 1997, concerning this subject, the WSTA, while concurring in the FCC's approved accounting for Class A telephone companies, proposed a slightly different accounting treatment for Class B telephone companies that adopt the higher expense limit. WSTA proposed that for Class B telephone companies adopting the higher expense limit, the embedded assets costing \$501 to \$2,000 be accounted for using standard retirement accounting. Under WSTA's proposed method, the original investment would be credited against the plant accounts and debited against the associated accumulated depreciation accounts. The undepreciated amount would be written off over five years by debiting depreciation expense (account 6561) for Class B companies and crediting the accumulated depreciation accounts. WSTA also stated that its method will yield the same result at the end of the 5-year period as the FCC's method and will be easier for the Class B telephone companies to implement. The following example, based on the same plant and accumulated depreciation amounts shown above at January 1, 1998, demonstrates the applicable accounting procedures (excluding associated impacts on deferred taxes and investment tax credits) under WSTA's proposed method for Class B telephone companies:

<u>Account Number and/or Name</u>	<u>Dr.</u>	<u>Cr.</u>
Journal entry to record retirement of plant under \$2,000 on January 1, 1998:		
Accumulated Depreciation-Account 2115	\$12,000	
Accumulated Depreciation-Account 2116	6,000	
Accumulated Depreciation-Account 2122	4,200	
Accumulated Depreciation-Account 2123	7,200	
Account 2115, Garage Work Equipment		\$12,000
Account 2116, Other Work Equipment		6,000
Account 2122, Furniture		4,200
Account 2123, Office Equipment		7,200
Annual journal entry to write off undepreciated amount over the 5-year period: ¹		
Account 6561	\$3,540	
Accumulated Depreciation-Account 2115		\$1,800
Accumulated Depreciation-Account 2116		720
Accumulated Depreciation-Account 2122		540
Accumulated Depreciation-Account 2123		480

The Commission has reviewed WSTA's proposed method with respect to accounting for plant of \$501 to \$2,000 where the \$2,000 limit is elected under Section 32.2000(a)(4) as set forth in Attachment A. The Commission considers it reasonable for Class B companies to implement this method in lieu of the FCC's approved accounting. Therefore, the Commission directs Class A telephone companies to implement the FCC's approved accounting and Class B telephone companies to implement WSTA's proposed method.

4. As set forth above, Class A telephone companies are required to implement the \$2000 expense limit. While the FCC did not specifically adopt additional elective accounting treatment for small entities, this Commission will continue the option of allowing Class B telephone companies to capitalize items costing between \$500 to \$2,000, provided that verifiable inventory records are maintained. (See Note A in Section 32.2000(a)(4) as set forth in Attachment A).
5. USTA also petitioned the FCC to eliminate detailed property records for a further subset of general support assets and instead adopt a vintage amortization level (VAL) process. The FCC did not adopt this proposal. In order to maintain consistency in the FCC's and this Commission's accounting requirements, this Commission will not adopt VAL for these assets.

¹ If instead a monthly journal entry is recorded by the Class B company, one-twelfth of the annual amounts should be reflected in each of the 60 monthly entries.

All Utilities Subject to the Uniform System of Accounts for Class A and
Class B Telephone Utilities
Docket 05-US-102
Page 5

Utilities subject to this system of accounts shall not be required to notify the Commission of adoption of this change in accounting.

This is a Type III action under § PSC 4.10 (3), Wis. Adm. Code. No unusual circumstances suggesting the likelihood of significant environmental consequences have come to the Commission's attention. Neither an environmental impact statement under § 1.11, Stats., nor an environmental assessment is required.

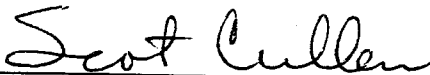
The action contained in this letter order is taken as a result of the Commission's jurisdiction under § 196.06, Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

The Uniform System of Accounts for Class A and Class B Telephone Utilities as heretofore prescribed on October 1, 1987, and amended on May 2, 1989, February 6, 1990, June 17, 1993, July 15, 1994, and October 31, 1995, by the Commission in docket 05-US-102, is further amended effective January 1, 1998, as set forth in Attachment A.

The Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders. If you have any questions concerning this matter, please contact Kevin Klingbeil of our staff at (608) 267-9504.

Dated at Madison, Wisconsin, December 22, 1997

For the Commission:



Scot Cullen, P.E.

Administrator

Telecommunications Division

RSC:KHK:reb:t:\staff\khk\FINAL 05US102 \$2000 expense limit letter order

cc: Records Management, PSCW

Scott Girard, WSTA

Gerald A. Ringlund, TDS TELECOM

Mike Theis, Kiesling Associates LLP

Dennis E. Hildebrandt, Siepert & Co. LLP

Dennis J. Forster, W.J. Bauman Associates

Janelle Arndt, Olsen, Thielen & Co., Ltd.

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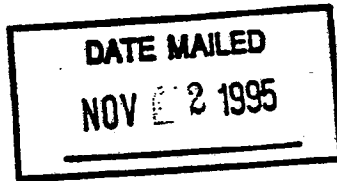
ATTACHMENT A

Part 32, Uniform System of Accounts for Class A and Class B Telephone Utilities, as adopted by this Commission is amended as follows (underline and strikethrough functions utilized):

Section 32.2000 is amended by revising paragraph (a)(4) to read as follows:

(4) The cost of the individual items of equipment, classifiable to Accounts 2112, Motor Vehicles; 2113, Aircraft; 2114, Special Purpose Vehicles; 2115, Garage Work Equipment; 2116, Other Work Equipment; 2122, Furniture; 2123, Office Equipment; and 2124, General Purpose Computers, costing \$2,000 ~~\$500~~ or less or having a life less than one year shall be charged to the applicable Plant Specific Operations Expense accounts, except for personal computers falling within Account 2124. Personal computers classifiable to Account 2124, with a total cost for all components, including initial operating software, of \$500 or less shall be charged to the applicable Plant Specific Operations Expense accounts. If the aggregate investment in the items is relatively large at the time of acquisition, such amounts shall be maintained in an applicable materials and supplies account until ~~the~~ items are used.

Note A: Class B companies may elect to continue to capitalize items costing between \$500 ~~\$200 to \$2,000~~ ~~\$500~~ provided that verifiable inventory records are maintained.



BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Prescribing a Uniform
System of Accounts for Class A and Class B
Telephone Utilities

05-US-102

SUPPLEMENTAL ORDER

THE COMMISSION FINDS:

By order dated October 1, 1987, in docket 05-US-102, the Commission adopted and prescribed with certain amendments the Uniform System of Accounts (USOA), as set forth in Federal Communications Commission (FCC) docket 78-196, for use by the Class A and Class B telephone companies under its jurisdiction. This Commission by supplemental orders in docket 05-US-102 dated May 2, 1989, February 6, 1990, June 17, 1993, and July 15, 1994, prescribed amendments to this system of accounts.

On February 28, 1995, the FCC released a Report and Order in CC Docket No. 93-50, In the Matter of The Accounting and Ratemaking Treatment for the Allowance for Funds Used During Construction (AFUDC). Two major items were included in the FCC's decision:

1. The FCC amended Part 32, USOA for Telecommunications Companies, to require carriers to capitalize AFUDC on all Telecommunications Plant Under Construction (TPUC) using a capitalization rate based on average cost of debt; and

2. The FCC amended Part 65, Interstate Rate of Return Prescription Procedures and Methodologies, to include the interstate portion of TPUC in the interstate rate base and to require carriers to reduce their interstate revenue requirements by the amount of AFUDC capitalized in the current year.

In addition, the FCC also adopted conforming amendments to Part 36 (Jurisdictional Separations Procedures; Standard Procedures for Separating Telecommunications Property Costs, Revenues, Expenses, Taxes and Reserves for Telecommunications Companies) due to the elimination in the USOA of the accounts for short-term TPUC (account 2003) and long-term TPUC (account 2004) and substitution of a new account 2003 covering all TPUC.

These changes to the USOA for Telecommunications Companies are effective September 6, 1995, for FCC purposes.

In a letter dated July 13, 1995, GTE North Incorporated (North) informed this Commission that the GTE Telephone Operations' methodology of accounting for AFUDC for interstate purposes would change effective September 1, 1995. North stated that in the past for FCC reporting, only long-term TPUC was eligible for AFUDC; for intrastate reporting, AFUDC was calculated on both long-term and short-term TPUC, resulting in a jurisdictional difference. North noted that the rate at which AFUDC is capitalized will change on an interstate basis from the prime rate to the company's average cost of debt;¹ this will bring the rate into conformance with generally accepted accounting principles (GAAP)

¹ On an intrastate basis, the rate at which AFUDC is capitalized will change from the weighted cost of capital as adjusted for the ratio of utility net investment rate base plus construction work in progress to capital applicable primarily to utility operations plus deferred investment tax credit as authorized by this Commission in dockets 2180-TR-103 and 2180-TI-105.

requirements under Statement of Financial Accounting Standards (SFAS) No. 34. North noted that if this change is adopted on an intrastate basis, it will provide an opportunity to eliminate the current jurisdictional difference, thus simplifying the accounting and reporting process. North estimated an immaterial impact on an intrastate basis if the change is implemented.

The Wisconsin State Telephone Association (WSTA) Accounting Committee (committee) in an August 23, 1995 letter notified the Commission that it is recommending that telecommunications utilities consider adoption of this change in accounting policy. The committee stated that the National Exchange Carrier Association (NECA), which all telecommunications utilities in this state must interact with for interstate purposes, is requesting all utilities to adopt the FCC proposal starting September 1995. The committee further clarified in a telephone conversation with Public Service Commission of Wisconsin (PSCW) staff that NECA's request for a September 1995 adoption date applies to utilities which are cost companies for interstate purposes, whereas a January 1, 1996 implementation date would apply to average schedule companies. The committee also stated that the majority of the telecommunications utilities indicated that adoption of this change in accounting policy would not be considered "matters of significance," as defined in section 32.16(c) of the system of accounts, and that, in its opinion, Commission notification would not be required.

In addition to the changes adopted by the FCC, the committee requested that this Commission modify section 32.2003 of its uniform system of accounts to agree with the FCC USOA allowing all telecommunications utilities the option of charging directly to the appropriate plant account(s) all construction projects with estimated gross additions of under

Docket 05-US-102

\$100,000. The increase from the \$25,000 level currently applicable to companies not subject to FCC jurisdiction would minimize the number of immaterial construction projects requiring calculation of AFUDC.

In a subsequent telephone conversation with PSCW staff, the WSTA Accounting Committee requested an effective date of January 1, 1996, with earlier adoption permitted for individual utilities. Since the majority of the telecommunications utilities' construction for the calendar year 1995 has been completed by the beginning of September, the committee believes that flexibility concerning the implementation date will result in administrative ease and a minimal impact on the utilities' operating results. The committee also believes that this approach will allow an individual utility maximum flexibility in the matter of the adoption date.

In a letter dated August 24, 1995, Wisconsin Bell, Inc. (Ameritech Wisconsin) requested that this Commission approve the use of the FCC accounting procedures concerning AFUDC and TPUC to be effective September 1, 1995, approximately coincident with the FCC implementation date. The company stated that it is currently calculating AFUDC on long-term TPUC using the prime rate of interest as approved by the FCC in Docket No. 86-497, and subsequently approved by this Commission in its letter order dated September 19, 1991, in docket 6720-TR-104.

Ameritech Wisconsin estimated an intrastate flow-through of the AFUDC difference of \$1,245,000 based on actual data for July 1994 through June 1995. The company pointed out, however, that although the change in AFUDC will have an impact on its intrastate earnings, it will have no impact on the company's regulated rates at this time due to its adoption of price regulation effective September 1, 1994. The requested change will

prevent creation of a jurisdictional difference and maintain uniformity within the MR (FCC basis) / SR (PSCW basis) capitalization procedures, accounting side records, and financial reporting process. The company also echoed North's comment that use of the average cost of debt to calculate AFUDC is consistent with GAAP.

In May 1993, PSCW staff filed comments in opposition to the changes concerning the accounting and ratemaking treatment for AFUDC and TPUC ultimately adopted by the FCC. In its comments, the staff cited the importance of regulatory goals and needs such as intergenerational equity, allowing investors to recover the full cost of construction, and consistency in ratemaking policies for all utilities (telecommunications and energy) within its jurisdiction versus consistency with GAAP which would result if the FCC changes were adopted.

However, subsequent to the filing of the staff comments in the FCC docket, 1993 Wisconsin Act 496 became law in 1994 and two of the major local exchange telecommunications utilities in the state, Ameritech Wisconsin and North, have opted for price regulation. While the Commission continues to believe that staff's position expressed in the comments filed with the FCC is still theoretically correct, it also recognizes that if this Commission does not adopt the above-requested changes to its uniform system of accounts, the books of the Wisconsin telecommunications utilities would differ for this item for interstate and PSCW purposes. In addition, for purposes of the annual small telecommunications utilities' earnings evaluation, staff routinely includes TPUC in rate base for such calculations. Therefore, the Commission believes at this time that it is reasonable to adopt the changes to the telephone uniform system of accounts concerning AFUDC and TPUC enumerated in Appendix B of this order.

The Commission has reviewed the various requests for adoption dates filed by North, the WSTA Accounting Committee, and Ameritech Wisconsin. The Commission considers it appropriate to grant local exchange telecommunications utilities flexibility in the date for adoption of this item. Therefore, the Commission approves the amendment of the telephone uniform system of accounts effective January 1, 1996. However, an individual utility may adopt such amendment at an earlier date, but in no event earlier than September 1, 1995.

The Commission wishes to note that it disagrees with the WSTA Accounting Committee's interpretation that adoption of this change in accounting policy would not be considered "matters of significance" requiring Commission notification under section 32.16(c) of this Commission's uniform system of accounts. In a period of significant plant under construction for a given utility, the Commission believes that the adoption of this change normally would constitute "matters of significance" and, as such, would require Commission notification. However, under these circumstances, the Commission will waive the notification requirement.

Also, in order that consistency is maintained between the interstate jurisdiction and the intrastate jurisdiction, the latter which is subject to the jurisdiction of this Commission, the Commission also adopts, subject to review on a case-by-case basis, the following for telecommunications utility ratemaking and earnings evaluation purposes:

- 1) telecommunications plant under construction should be included as a component of net investment rate base; and
- 2) the income recognized by a telecommunications utility for capitalized AFUDC in a given year should be included as an operating revenue in the development of revenue requirement or earnings calculations.

The AFUDC and TPUC accounting, ratemaking and earnings evaluation modifications approved herein are based on specific circumstances for telecommunications utilities and are not intended to be applicable to regulatory matters affecting other utilities which may be addressed by this Commission in the future.

This action is classified as a Type 3 action according to s. PSC 4.10(3), Wis. Adm. Code. Furthermore, since no unusual circumstances have come to the attention of the Commission which indicate that significant environmental consequences are likely, neither an environmental impact statement under s. 1.11, Stats., nor an environmental assessment is required.

CONCLUSIONS OF LAW

THE COMMISSION CONCLUDES:

1. That it has jurisdiction under s. 196.06, Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.
2. That it has jurisdiction under s. 196.06, Stats., to waive the notification requirement for "matters of significance" under section 32.16(c) of the telephone uniform system of accounts for this specific situation.
3. That it has jurisdiction under ch. 196, Stats., to prescribe necessary elements for telecommunications utility ratemaking and earnings evaluation purposes, subject to review on a case-by-case basis.

ORDER

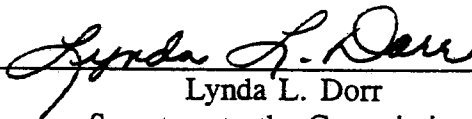
THE COMMISSION THEREFORE ORDERS:

1. That the Uniform System of Accounts for Class A and Class B Telephone Utilities as heretofore prescribed on October 1, 1987, and amended on May 2, 1989, February 6, 1990, June 17, 1993, and July 15, 1994, by the Commission in the above-entitled docket be and the same is hereby further amended effective January 1, 1996, as set forth in the attached Appendix B. An individual utility may adopt such amendment at an earlier date, but in no event earlier than September 1, 1995.
2. That local exchange telecommunications utilities shall not be required to notify the Commission for "matters of significance" under section 32.16(c) of the telephone uniform system of accounts due to implementation of this change in accounting policy.
3. That this Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

Dated at Madison, Wisconsin

October 31, 1995

By the Commission.



Lynda L. Dorr
Secretary to the Commission

LLD:RSC:KHK:h:staff\khk\05US102.O20

See attached Notice of Appeal Rights.

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Revised 4/22/91

APPENDIX A

This proceeding is not a contested case under Chapter 227, Stats., therefore there are no parties to be listed or certified under sec. 227.47. However, an investigation was conducted, and the persons listed below participated.

Public Service Commission of Wisconsin
(Not a party but must be served)
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

APPENDIX B

Part 32, Uniform System of Accounts for Class A and Class B Telephone Utilities, as adopted by this Commission is amended as follows (redline and strikeout functions utilized):

1. Section 32.2000 is amended by revising paragraphs (c)(2)(x) and (j) to read as follows:

32.2000 INSTRUCTIONS FOR TELECOMMUNICATIONS PLANT ACCOUNTS

(c) ***

(2) ***

(x) Allowance for funds used during construction ("AFUDC") provides for the cost of financing the construction of telecommunications plant. AFUDC shall be charged to Account 2003, Telecommunications Plant Under Construction, and credited to Account 7340. The rate for calculating AFUDC shall be determined as follows: If financing plans associate a specific new borrowing with an asset, the rate on that borrowing may be used for the asset; if no specific new borrowing is associated with an asset or if the average accumulated expenditures for the asset exceed the amounts of specific new borrowing associated with it, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowing of the enterprise. The amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest cost incurred by the company in that period.

~~(x) "Allowance for funds used during Construction" includes the cost of debt and equity funds used in the construction of telecommunications property and shall be applied to telecommunications property to be completed in over one year as described in Section 32.2004 of this subpart. No interest during construction shall be accrued on telecommunication property to be completed in one year or less, as described in paragraph 2003 unless specifically authorized by this Commission. Allowance for funds used during construction shall be charged to the accounts appropriate for the cost of the property acquired or constructed as follows:~~

(j) Plant Accounts to be Maintained by Class A and Class B telephone companies as indicated:

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
REGULATED PLANT		
<u>Property, Plant and Equipment</u>		
Telecommunications Plant in Service	12001	12001
Property Held for Future		
Telecommunications Use	2002	2002
Telecommunications Plant Under		
Construction-Short Term	2003	2003
Telecommunications Plant Under		
Construction Long Term	2004	2004
Telecommunications Plant Adjustment	2005	2005
Nonoperating Plant	2006	2006

2. Section 32.2003 is amended by revising the section heading and paragraphs (a), (b), and (c) to read as follows and deleting paragraph (e):

32.2003 Telecommunications Plant Under Construction—~~Short Term~~

(a) This account shall include the original cost of construction projects ~~designed to be completed in one year or less.~~ (Note also paragraph 32.2000(c) of this subpart.)

(b) There may be charged directly to the appropriate plant accounts the cost of any construction project which is estimated to be completed and ready for service within two months from the date on which the project was begun. ~~There For companies subject to FCC jurisdiction, there may also be charged directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$100,000. Other companies may charge directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$25,000.~~

(c) ~~When the plant includable in this account is not ready for service at the end of one year, the cost of construction of the plant shall be transferred to Account 2004, Telecommunications Plant Under Construction—Long Term, without further direction or approval of this Commission. If a construction project has been suspended for six months or~~

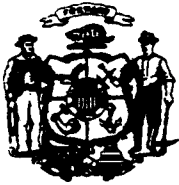
more, the cost of the project included ~~plant includable~~ in this account shall be transferred to Account 2006, Nonoperating Plant, 2004 without further direction or approval of this Commission. If a project is abandoned, the cost included in this account shall be charged to Account 7370, Special Charges.

3. Section 32.2004 is deleted in its entirety.

4. Section 32.7340 is amended to read as follows:

32.7340 Allowance for Funds Used During Construction

This account shall be credited with ~~such amounts as are charged to the telecommunications plant under construction account. (See paragraph 32.2000(c)(2)(x) accounts for the purpose of recording an allowance for funds used for construction purposes.~~1



Public Service Commission of Wisconsin

4802 Sheboygan Avenue
P. O. Box 7854
Madison, Wisconsin 53707-7854

Cheryl L. Parrino, Chairman
John T. Coughlin, Commissioner
Scott A. Neitzel, Commissioner

File No. 05-US-102

TO: All Utilities Subject to the Uniform System of Accounts for Class A and Class B Telephone Utilities

RE: In the Matter of Prescribing an Uniform System of Accounts for Class A and Class B Telephone Utilities
(Docket 05-US-102)

Supplemental Order to Incorporate Changes to the Uniform System of Accounts Adopted by the Federal Communications Commission Concerning Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes

By order dated October 1, 1987, in docket 05-US-102, the Commission adopted and prescribed with certain amendments the Uniform System of Accounts (USOA), as set forth in Federal Communications Commission (FCC) docket 78-196, for use by the Class A and Class B telephone companies under its jurisdiction. This Commission by supplemental orders in docket 05-US-102 dated May 2, 1989, February 6, 1990, and June 17, 1993, prescribed amendments to this system of accounts.

At this time there are several changes required to the system of accounts which are necessitated by amendments to the USOA adopted by the Federal Communications Commission on January 31, 1994, in CC Docket No. 89-360, In the Matter of Part 32 of the Commission's Rules to Implement Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes. The legally-required effective date for the amendments is August 29, 1994, which is six months after they were published in the Federal Register. However, the FCC is allowing utilities to implement these accounting changes prior to the above-mentioned effective date if they so desire.

In 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 96, Accounting for Income Taxes. Due to criticisms related to the complexity of SFAS 96, the FASB deferred its implementation and considered requests to amend it. In February 1992, the FASB issued SFAS 109 to replace SFAS 96. Although the FCC's CC Docket No. 89-360 was originally established to consider the adoption of SFAS 96, its focus was changed to SFAS 109 as a result of the FASB's actions.

At its open meeting of March 23, 1993, the Public Service Commission of Wisconsin approved the implementation of SFAS 109, Accounting for Income Taxes, for accounting and ratemaking purposes. Regarding the implementation of SFAS 109, the Commission determined that utilities need not request Commission accounting approval if the implementation of SFAS 109 does not have an impact on its revenue requirement. If another implementation method is requested, private utilities must obtain accounting approval from the Commission. Utilities were notified of the Commission's decision in this matter in a letter order dated October 29, 1993.

Three new accounts are being added to the telephone system of accounts. Account 1437, Deferred Tax Regulatory Asset, will be used to record amounts of future revenue that will be needed to pay future taxes payable. Account 4361, Deferred Tax Regulatory Liability, will be used to record future revenue reductions attributable to decreases in taxes payable. Account 4341, Net Deferred Tax Liability Adjustments, will reflect adjustments to accumulated deferred taxes caused by items such as tax rate changes and amounts accounted for under the flow through method.

At its May 5, 1994 open meeting, this Commission delegated a number of actions to Commission staff. Among these delegated actions are accounting orders, including orders approving the implementation of accounting principles, where all parties (including utilities), the Commission's Staff Accounting Policy Team (SAPT), and all interested Division Administrators are in agreement as to the proposed accounting changes. The FCC's proposed changes to the system of accounts were communicated to the chairman of the Wisconsin State Telephone Association's Accounting Committee for input. This committee represents the telephone utilities in Wisconsin which are subject to the requirements of the telephone system of accounts. In a letter dated April 22, 1994, the committee supported adoption by the Commission of an amendment to the system of accounts identical to the FCC-ordered format. The Commission's SAPT is also supportive of the proposed changes. This letter order is being signed only by the administrator of the Telecommunications Division, as it only affects accounting by the telephone industry.

This action is not expected to result in significant environmental impacts according to s. PSC 2.90, Wis. Adm. Code. In addition, no unusual circumstances have come to the attention of the Commission which would require further environmental review. It consequently requires neither an environmental impact statement under s. 1.11, Wis. Stats., nor an environmental assessment.

The action contained in this letter order is taken as a result of the Commission's jurisdiction under s. 196.06, Wis. Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

The Uniform System of Accounts for Class A and Class B Telephone Utilities as heretofore prescribed on October 1, 1987, and amended on May 2, 1989, February 6, 1990, and June 17, 1993, by the Commission in docket 05-US-102 is further amended effective August 29, 1994, as set forth in Attachment B. Earlier adoption of the amendments is permitted.

The Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

If you have any questions concerning this matter, please contact Kevin Klingbeil of our staff at (608) 267-9504.

PUBLIC SERVICE COMMISSION OF WISCONSIN

By Scot Cullen
Scot Cullen, P.E.
Administrator
Telecommunications Division

Dated July 15, 1994

RSC:KHK:JAH:\w\notice\usoal09.KHK

See attached Notice of Appeal Rights.

Attachments

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in s. 227.53, Stats. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in s. 227.01(3), Stats., a person aggrieved by the order has the further right to file one petition for rehearing as provided in s. 227.49, Stats. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with s. 227.48(2), Stats., and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 4/22/91

ATTACHMENT A

In order to comply with s. 227.47, Stats., the following parties who appeared before the agency are considered parties for purposes of review under s. 227.53, Stats.

Public Service Commission of Wisconsin (Not a party
4802 Sheboygan Avenue but must be served)
P.O. Box 7854
Madison, WI 53707

ATTACHMENT B

Part 32, Uniform System of Accounts for Class A and Class B Telephone Utilities, as adopted by this Commission is amended as follows (redline and overstrike functions utilized):

1. Section 32.22 is amended by revising paragraph (a), renaming paragraphs (c) - (f) as paragraphs (d) - (g), adopting new paragraph (c), and revising paragraphs (d) and (f) to read as follows:

32.22 Comprehensive Interperiod Tax Allocation

(a) Companies shall apply interperiod tax allocation (tax normalization) to all book/tax ~~temporary timing~~ differences which would be considered material for published financial report purposes. Furthermore, companies shall also apply interperiod tax allocation if any item or group of similar items when aggregated would yield debit or credit entries which exceed or would exceed 5 percent of the gross deferred income tax expense debits or credits during any calendar year over the life of the ~~temporary timing~~ difference.

The tax effects of book/tax ~~temporary timing~~ differences shall be normalized and the deferrals shall be included in the following accounts:

4100 Net Current Deferred Operating Income Taxes
4110 Net Current Deferred Nonoperating Income Taxes
4340 Net Noncurrent Deferred Operating Income Taxes
4350 Net Noncurrent Deferred Nonoperating Income Taxes

In lieu of the accounting prescribed herein, any company shall treat the ~~increase or reduction~~ ~~increase/reduction~~ in current income taxes payable resulting from the use of flow through accounting in prior years as an ~~increase or reduction~~ ~~increase/reduction~~ in current income tax expense.

(c) ~~Subsidiary records shall be used to reduce the deferred tax assets contained in the accounts specified in paragraph (a) when it is likely that some portion or all of the deferred tax asset will not be realized. The amount recorded in the subsidiary record should be sufficient to reduce the deferred tax asset to the amount that is likely to be realized.~~

~~(e)~~ (d) The records supporting the activity in the deferred income tax accounts shall be maintained in sufficient detail to identify the nature of the specific ~~temporary timing~~ differences giving rise to both the debits and credits to the individual accounts.

~~(d)~~ (e) Any company that uses accelerated depreciation (or recognizes taxable income or losses upon the retirement of property) for income tax purposes shall normalize the tax differentials occasioned thereby as indicated in paragraphs ~~(e) (1) and (e) (2)~~ ~~(d) (1) and (d) (2)~~ of this section.

(1) With respect to the retirement of property the book/tax difference between (I) the recognition of proceeds as income and the accrual for salvage value and (II) the book and tax capital recovery shall be normalized.

(2) Records shall be maintained so as to show the deferred tax amounts by vintage year separately for each class or subclass of eligible depreciable telephone plant for which an accelerated method of depreciation has been used for income tax purposes. When property is transferred to nonregulated activities, the associated deferred income taxes and unamortized investment tax credits shall also be identified and transferred to the appropriate nonregulated accounts.

~~(e)~~ (f) The tax differentials to be normalized as specified in this section indicated herein shall also encompass the additional effect of state and local income tax changes on Federal income taxes produced by the provisions for deferred state and local income taxes for book/tax ~~temporary timing~~ differences related to such income taxes.

~~(f)~~ (g) Companies that receive the tax benefits from the filing of a consolidated income tax return by the parent company, (pursuant to closing agreements with the Internal Revenue Service, effective January 1, 1966) representing the deferred income taxes from the elimination of intercompany profits for income tax purposes on sales of regulated equipment may credit such deferred taxes directly to the plant account which contains such intercompany profit rather than crediting such deferred taxes to the applicable accounts in paragraph (a) of this section. If the deferred income taxes are recorded as a reduction of the appropriate plant accounts, such reduction shall be treated as reducing the original cost of the plant and accounted for as such.

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow the accounting prescribed by the FCC relating to the tax differentials that are phased in.

2. Section 32.103 is amended to add account 32.1437 to the list of accounts to read as follows:

32.103 Balance Sheet Accounts for Other than Regulated-Fixed Assets to be Maintained

BALANCE SHEET ACCOUNTS

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
***	***	***
Deferred Tax Regulatory Asset	1437	1437
***	***	***

3. Section 32.1437 is added to read as follows:

32.1437 Deferred Tax Regulatory Asset

(a) This account shall include amounts of probable future revenue for the recovery of future increases in taxes payable. As reversals occur, amounts recorded in this account shall be reduced with a credit entry and a debit entry to Account 4341, Net Deferred Tax Liability Adjustments.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduce the account to a net credit balance, such balance shall be reclassified to Account 4361.

4. Section 32.4000 is amended to add accounts 32.4341 and 32.4361 to the list of accounts to read as follows:

32.4000 INSTRUCTIONS FOR BALANCE SHEET ACCOUNTS -
LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities and Stockholders' Equity Accounts to be
Maintained by Class A and Class B telephone companies:

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
***	***	***
Net Deferred Tax Liability Adjustments	4341	4341
***	***	***
Deferred Tax Regulatory Liability	4361	4361
***	***	***

5. Section 32.4100 paragraph (d) is revised to read as follows:

32.4100 Net Current Deferred Operating Income Taxes

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary tax timing difference.

6. Section 32.4110 paragraph (g) is revised to read as follows:

32.4110 Net Current Deferred Nonoperating Income Taxes

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary differences.

7. Section 32.4340 paragraphs (a) and (d) are revised to read as follows:

32.4340 Net Noncurrent Deferred Operating Income Taxes

(a) This account shall include the balance of income tax expense related to noncurrent items from regulated operations which have been deferred to later periods as a result of

comprehensive interperiod tax allocation related to ~~temporary timing differences~~ that arise from regulated operations.

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the ~~temporary tax timing difference~~.

8. Section 32.4341 is added to read as follows:

32.4341 Net Deferred Tax Liability Adjustments

(a) This account shall include the portion of deferred income tax charges and credits pertaining to Accounts 32.1437, Deferred Tax Regulatory Asset, and 32.3461, Deferred Tax Regulatory Liability.

(b) This account shall be used to record adjustments to the accumulated deferred tax liabilities recorded in Accounts 4100 and 4340 for:

(1) Tax effects of temporary differences accounted for under the flow-through method or treated as permanent differences.

(2) Reclassification attributable to changes in tax rates (Federal, state and local). As tax rates increase or decrease, the offsetting debit or credit will be recorded in Account 1437 and/or 4361 as required by paragraph (a).

(3) The tax effects of carryforward net operating losses and carryforward investment tax credits expected to reduce future taxes payable that are reported in published financial statements.

(4) Reversals of the tax effects of carryforward net operating losses and carryforward investment tax credits previously recorded in this account at the time they become recognized as reductions in current taxable income and current taxes payable on tax returns.

(c) This account shall be exempt from the vintage year detail record requirements of Section 32.22(e)(2).

9. Section 32.4350 paragraphs (a) and (g) are revised to read as follows:

32.4350 Net Noncurrent Deferred Nonoperating Income Taxes

(a) This account shall include the balance of income tax expense (Federal, state, and local) that has been deferred to later periods as a result of comprehensive interperiod ~~tax~~ allocation related to nonoperating ~~temporary timing differences~~.

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the ~~temporary tax timing~~ difference.

10. Section 32.4361 is added to read as follows:

32.4361 Deferred Tax Regulatory Liability

(a) This account shall include amounts of probable future revenue reductions attributable to future decreases in taxes payable. As reductions occur, amounts recorded in this account shall be reduced with a debit entry and a credit entry to Account 4341, Net Deferred Tax Liability Adjustments.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduces the account to a net debit balance, such balance shall be reclassified to Account 1437.

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JUN 18 1993

PUBLIC SERVICE COMMISSION OF WISCONSIN

SUPPLEMENTAL ORDER

Commission staff has communicated these changes to representatives of the telephone industry and met with representatives of the Wisconsin State Telephone Association's Accounting Committee on February 17, 1993.

The current definition of a Class A telephone utility is companies having 7,500 or more access lines or affiliated with a holding company having a combined total of 7,500 or more access lines. Staff proposed to change the definition of a Class A telephone utility from 7,500 or more access lines as set forth in section 32.11 to conform to the small telecommunications utility definition of less than 9,000 access lines contained in s. 196.01 (8), Wis. Stats. Staff also proposed to change the definition of a Class B telephone utility to incorporate the statutory reference. At the February 17 meeting, it was agreed that this statutory section should be specifically mentioned in amending Part 32 to avoid changes to the USOA in the future if the statutory threshold is modified. This Commission adopts these language changes.

The application of sections 32.16 and 32.17 became an issue in the Wisconsin Bell, Inc. moratorium remand (docket 6720-TI-102) as to whether an accounting standard change under 32.16 was involved (which requires prior notification) or a 32.17 item. This Commission requested that the language in sections 32.16 and 32.17 be clarified. Staff also proposed that the definition of changes in accounting standards or principles be clarified.

As a result of the February 17 meeting, it was agreed that "matters of significance" as referenced in section 32.16 be defined. In addition, the language in 32.17 is changed to say that the Telecommunications Division should be consulted on matters of significance and they will maintain questions and answers concerning this system of accounts. The Division of

Utility Operations Review will, however, be responsible for inventory, maintenance and update of the telephone system of accounts. "Matters of significance" in section 32.17 will be defined in a manner similar to that utilized for section 32.16. This Commission adopts these language changes.

At the February 17 meeting, discussion occurred concerning amortization of rate case costs under generally accepted accounting principles (GAAP). Such practice, while permitted under GAAP, would not allow a utility to request recovery of unamortized rate case costs from a prior case. At the time of a new rate case filing, any unamortized rate case costs would be immediately expensed under GAAP. There is no need to change section 32.1439 at this time.

In discussions with industry representatives the question arose as to what is meant by "aggregate summary account." This Commission agrees that it is appropriate to amend section 32.9000, Glossary of Terms, to include a definition of "aggregate summary account".

The Commission recently approved new paragraph 32.6999 (c) to Subpart F Instructions for Other Income Accounts pertaining to gains or losses associated with debt refinancing. Part 32, effective January 1, 1988, required utilities to record gains or losses arising from the early extinguishment of debt in income in the period of extinguishment and not be amortized to future periods. The approved change provides a telephone utility with additional flexibility concerning accounting for such activity. The utility may apply to the Commission for authorization for

immediate write off of significant amounts or deferral and amortization of gains or losses associated with debt refinancing. Another option for the utility is utilization of a revenue neutral method (meaning no impact on revenue requirement) without prior accounting approval.

Appendix B of the Commission's order dated October 29, 1992, in docket 05-UI-104 mentioned utilization of account 1437, Recoverable Tax Liabilities, together with account 1410, Other Noncurrent Assets, or some other account specified by the Federal Communications Commission (FCC). At this time the FCC has not addressed use of account 1437. Therefore, there is no need to authorize account 1437 until the FCC formally approves its use.

The amendments approved in this supplemental order also include several corrections of typographical errors. These corrections include adding a title to section 32.27; adding a section number to subpart E; and correcting spelling errors in paragraphs (e) (2), (e) (7) (i), and (f) (5) of section 2000, section 32.6613 and section 32.9000.

This action is not expected to result in significant environmental impacts according to s. PSC 2.90, Wis. Adm. Code. In addition, no unusual circumstances have come to the attention of the Commission which would require further environmental review. It consequently requires neither an environmental impact statement under s. 1.11, Wis. Stats., nor an environmental assessment.

CONCLUSION OF LAW

THE COMMISSION CONCLUDES:

That it has jurisdiction under s. 196.06, Wis. Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

ORDER

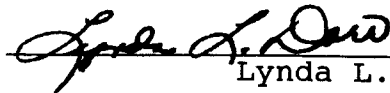
THE COMMISSION THEREFORE ORDERS:

1. That the Uniform System of Accounts for Class A and Class B Telephone Utilities as heretofore prescribed on October 1, 1987, and amended on May 2, 1989, and February 6, 1990, by the Commission in the above-entitled docket be and the same is hereby further amended effective January 1, 1993, as set forth in the attached Appendix B.
2. That this Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

Dated at Madison, Wisconsin,

June 17, 1993

By the Commission.



Lynda L. Dorr
Secretary to the Commission

LLD:DLB:05129301.SSA/ORDER

See attached Notice of Appeal Rights.

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in s. 227.53, Stats. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in s. 227.01(3), Stats., a person aggrieved by the order has the further right to file one petition for rehearing as provided in s. 227.49, Stats. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with s. 227.48(2), Stats., and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Rev. 4/22/91

APPENDIX A

In order to comply with s. 227.47, Stats., the following parties who appeared before the agency are considered parties for purposes of review under s. 227.53, Stats.

Public Service Commission of Wisconsin (Not a party
4802 Sheboygan Avenue but must be served)
P.O. Box 7854
Madison, WI 53707

APPENDIX B

Part 32, Uniform System of Accounts for Class A and Class B Telephone Utilities, as adopted by this Commission is amended as follows (redline and overstrike functions utilized):

1. Section 32.11 is amended by revising paragraphs (a)(1), (a)(2) and (e) to read as follows:

32.11 Classification of companies.

(a)(1) For accounting purposes, companies are divided into classes as follows:

Class A. Companies having ~~7,500 or more access lines or~~ affiliated with a holding company having a combined total of ~~7,500 or more equal to or greater than the number of~~ access lines specified in section 196.01 (8), Wis. Stats.

(a)(2) Class B. Companies having ~~or affiliated with a holding company having a combined total less than the number of~~ 7,500 access lines specified in section 196.01 (8), Wis. Stats.

(e) The initial classification of a company shall be determined by its number of access lines at December 31⁷ of the immediately preceding year. Subsequent changes in classification shall be made when the number of access lines equals or exceeds the ~~number of access lines specified in section 196.01 (8), Wis. Stats.~~ ~~7,500~~ at December 31 of the preceding year. Companies will then have one year from that date in which to convert to the appropriate system of accounts.

2. Section 32.16 is amended by revising paragraph (b) and adding paragraph (c) to read as follows:

32.16 Changes in Accounting Standards

(b) The changes in accounting standards which this commission approves will not necessarily be binding on the ratemaking ~~practices of the various state commissions.~~

(c) For the following changes in accounting, the utility shall notify the Commission of matters of significance: (1) initial adoption of an accounting principle in recognition of events or transactions occurring for the first time or that previously were immaterial in their effect; and (2) adoption or modification of an accounting principle necessitated by transactions or events that are different in substance from those previously occurring.

For Class A carriers subject to dual jurisdiction, "matters of significance" shall be defined as being in excess of one percent of the aggregate summary account dollars or one million dollars, whichever is higher. For companies not subject to dual jurisdiction but having equal to or greater than the number of

access lines specified in section 196.01 (8), Wis. Stats., "matters of significance" shall be defined as being in excess of one percent of the aggregate summary account dollars or \$100,000, whichever is higher. For other carriers not subject to dual jurisdiction, "matters of significance" shall be defined as being in excess of one percent of the aggregate summary account dollars or \$50,000, whichever is higher.

3. Section 32.17 is amended to read as follows:

32.17 ~~Intepretation~~ Interpretation of accounts

To the end that uniform accounting shall be maintained within the prescribed system, questions involving matters of significance, based on the aforementioned definition in section 32.16, significant which are not clearly provided for shall be submitted to the Administrator, Telecommunications Division, ~~Director, Bureau of Utility Accounting,~~ for explanation, interpretation, or resolution. Questions and answers thereto with respect to this system of accounts will be maintained by the Telecommunications ~~Division Bureau of Utility Accounting.~~ The Division of Utility Operations Review shall be responsible for inventory, maintenance and update of the system of accounts.

4. Section 32.27 is amended by adding a title to read as follows:

32.27 ~~Transactions with Affiliates.~~

Because of the Wisconsin Public Service Commission jurisdiction concerning affiliated interests as provided by section 196.52, Wisconsin Statutes, Section 32.27 of the FCC Uniform System of Accounts concerning transactions with affiliates is not adopted.

5. Section 32.2000 is amended by revising paragraphs (e)(2), (e)(7)(i), and (f)(5) to read as follows:

32.2000 INSTRUCTIONS FOR TELECOMMUNICATIONS PLANT ADDITIONS

(e)(2). The ~~basic basis~~ property records must be (i) subject to internal accounting controls, (ii) auditable, (iii) equal in the aggregate to the total investment reflected in the financial property control accounts as well as the total of the cost allocations supporting the determination of cost-of-service at any particular point in time, and (iv) maintained throughout the life of the property.

(e)(7)(i) The continuing property records shall be compiled on the basis of original cost (or other book cost consistent with this system of accounts). The continuing property records shall be maintained as prescribed in paragraph 32.2000 (f)(2)(iii) of this subpart in such manner as will meet the following basic objectives:

(f)(5) Identification of Property Record Units

There shall be shown in the continuing property record or in record supplements thereof, a complete description of the property records units in such detail as to identify such units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per paragraph 32.2000 (f)(4) of this subpart), specific location of the property within each accounting area in such manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of ~~or~~ the original cost. Descriptions of units of similar size and type shall follow prescribed groupings.

6. Paragraph (a) of Subpart E is amended to add the section number to read as follows:

SUBPART E INSTRUCTIONS FOR EXPENSE ACCOUNTS

(a) ~~32.5999~~ Structure of the Expense Accounts

7. Section 32.6613 is amended to read as follows:

32.6613 Product Advertising

This account shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services serivees. This excludes nonproduct-related advertising, such as corporate image, stock and bond issue and employment advertisements, which shall be included in the appropriate functional accounts.

8. Subpart F is amended by adding paragraph (c) to read as follows:

SUBPART F INSTRUCTIONS FOR OTHER INCOME ACCOUNTS

(c) Gains or Losses Associated With Debt Refinancing

The utility may elect to account for amounts by immediate write off to account 7360, Other Nonoperating Income, where the amounts are insignificant. If the utility desires to immediately write off significant amounts or amortize these amounts, the permission of the Commission must be obtained. However, permission of the Commission shall not be necessary if the utility proceeds to amortize by equal monthly charges, from the date of refinancing, the deferrals associated with the refunded bonds, over a period equivalent to that in which the net saving in monthly interest and amortization charges associated with the old debt equals the amortization of debt refinancing charges.

Choosing the above amortization method does not preclude the utility from requesting or the Commission from authorizing a different amortization method at the time of a rate case.

The amounts being amortized shall be credited or charged to account 7360, Other Nonoperating Income.

9. Subpart G is amended to add the definition of "Aggregate summary account" and by revising "Subsidiary Record" to read as follows:

32.9000 Glossary of Terms

"Aggregate summary account" means a summary account within expense or revenue groups used to describe aggregations of two or more accounts having a certain commonality. Summary accounts are assigned numbers so that they may be used by Class A telephone companies to aggregate accounts for reporting purposes; and as specifically directed, so that they may be used as accounts by Class B telephone companies.

"Subsidiary ~~Subsidiary~~ Record" means accumulation of detailed information which is required by this commission to be maintained in support of entries to the accounts.

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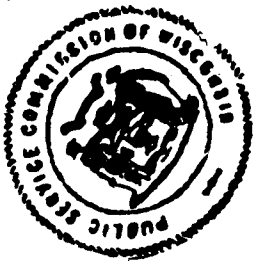
COMPARED WITH AND CERTIFIED BY ME
TO BE A FULL, TRUE AND CORRECT COPY
OF THE ORIGINAL ON FILE IN MY OFFICE.

FEB 6 1990

Jaqueline K. Reynolds
Secretary to the Commission
Public Service Commission of Wisconsin

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN



In the Matter of Prescribing a Uniform)
System of Accounts for Class A and)
Class B Telephone Utilities) 05-US-102

Supplemental Order

THE COMMISSION FINDS:

By order dated October 1, 1987, in docket 05-US-102, the Commission adopted and prescribed with certain amendments the Uniform System of Accounts (USOA), as set forth in Federal Communications Commission (FCC) docket 78-196, for use by the Class A and Class B telephone companies under its jurisdiction. This Commission by supplemental order in docket 05-US-102 dated May 2, 1989, prescribed amendments to this system of accounts.

This Commission in its order dated October 1, 1987, did not adopt the FCC's full normalization method of accounting for income taxes. In its recent order adopting the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts for Wisconsin privately owned gas and electric utilities, the Commission directed staff to continue to investigate policy differences in the area of accumulated deferred income taxes. Staff was directed to issue a position paper and solicit comments from utilities and other interested parties. On November 9, 1989, the Commission adopted the full normalization method of accounting for income taxes for all privately owned electric and gas utilities.

In accordance with generally accepted accounting principles, telephone and energy utilities are required to implement Statement of Accounting Standards (SFAS) 96, Accounting for Income Taxes. As a result of the required compliance with SFAS 96 and the investigation into full normalization for energy utilities, staff circulated to all investor owned telephone utilities a memorandum setting forth staff's position regarding full normalization.

Responses to staff memorandum were received on behalf of 41 telephone utilities. All responses favored full normalization. The major reasons stated to support full normalization were:

1. Provides stability in revenues and rates;
2. Simplifies record keeping;
3. Consistent with the standards required by Generally Accepted Accounting Principles (GAAP) and most regulatory agencies including the FERC and the FCC, and;
4. Matches tax benefits with cost responsibility or intergenerational equity in ratemaking.

All utilities estimated that the revenue requirement impact would be minimal. Regarding the reversal of tax timing differences previously flowed through, the utilities agreed that the reversal should be made over some time period on a case-by-case basis. The utilities also agreed that this decision should be made in each utility's next rate case.

At its open meeting on December 12, 1989, the Commission adopted the FCC's full normalization method of accounting for income taxes for all investor owned telephone utilities on a prospective basis, with all previously flowed through amounts and tax rate changes to be reversed over a period of time in the future. The manner of handling that reversal should be determined for each utility. Utilities have the option of postponing the change to full normalization until approval is obtained from the Commission, or making the accounting change effective January 1, 1990, with any arising book-rate case differences deferred until an approved amortization period is obtained from the Commission. To the extent that the effective date of the change in accounting treatment to full normalization does not coincide with the start of a test year, the utilities may elect to establish deferrals or accruals for the difference between full normalization and flow through. This difference will also be amortized in the next rate proceeding.

In its supplemental order dated May 2, 1989, in docket 05-US-102, the Commission adopted a \$500 capitalization limit for general equipment. This Commission did not adopt or approve any special amortization or write-off provision for previously capitalized amounts which under the raised limits would be expensed. It was assumed that normal depreciation and retirements would apply to these amounts.

To take full advantage of the administrative savings from the new capitalization limits, the FCC, by order in CC Docket No. 87-135, released November 21, 1989, is allowing the items under \$500 and capitalized in the past to be segregated and amortized over the next eight years. The FCC removed all past and future continuing property records (CPR) requirements on these items.

This Commission agrees with the FCC and will allow telecommunications companies to segregate and amortize over an eight-year period all general equipment items costing under \$500 that were previously capitalized. Companies may request authorization from this Commission to write off the undepreciated portion in one year if the amount is immaterial. The CPR requirements for these items are eliminated. Class B companies may elect to continue to capitalize items costing between \$200 and \$500 provided that verifiable inventory records are maintained.

In Docket FCC 89-136, adopted May 4, 1989, the FCC concluded that the proper account to record judgements arising from a violation of antitrust laws, and payments in settlement of civil and criminal suits alleging such violations is Account 7370, Special Charges rather than Account 7620, Extraordinary Income Charges. This Commission adopts this change.

This is a Type 3 WEPA action pursuant to PSC 2.90(3), Wis. Adm. Code. In addition, no unusual circumstances have come to the attention of the Commission which would warrant further environmental review. It consequently requires neither an

environmental impact statement under s. 1.11, Wis. Stats., nor an environmental assessment.

Conclusion of Law

THE COMMISSION CONCLUDES:

That it has jurisdiction under s. 196.06, Wis. Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

Order

THE COMMISSION THEREFORE ORDERS:

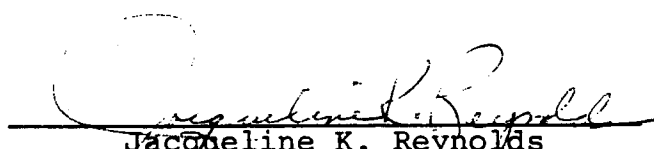
1. That the Uniform System of Accounts for Class A and Class B Telephone Utilities as heretofore prescribed on October 1, 1987, by the Commission in the above-entitled docket be and the same is hereby further amended effective January 1, 1990, as set forth in the attached Appendix B.

Docket 05-US-102

2. That this Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

Dated at Madison, Wisconsin, February 6, 1990

By the Commission.


Jacqueline K. Reynolds
Secretary to the Commission

JKR:DLB:pdr12228902

See attached Notice of Appeal Rights.

Notice of Appeal Rights

To comply with the requirements of s. 227.48(2), Wis. Stats., notice is hereby given that a party aggrieved by the foregoing decision has the right and option to file a petition for rehearing as provided in s. 227.49, Wis. Stats., within 20 days of the date of mailing of this decision as shown on the first page. If there is no date on the first page, the date of mailing is the date indicated immediately above the signature line.

Notice is further given that a person aggrieved by the foregoing decision also has the right and option to file a petition for judicial review as provided in s. 227.53, Wis. Stats., within 30 days after the mailing of this decision. The Public Service Commission of Wisconsin shall be named as respondent in the petition for judicial review.

This general notification is for the purpose of ensuring compliance with s. 227.48(2), Wis. Stats., and does not constitute a conclusion or admission that any particular party is necessarily adversely affected or that any particular decision is final or appealable.

If this decision is an order after rehearing or reopening, a person aggrieved must seek judicial review rather than rehearing, if the person so desires. A second petition for rehearing is not an option.

APPENDIX A

In order to comply with s. 227.47, Stats., the following parties who appeared before the agency are considered parties for purposes of review under s. 227.53, Stats.

Public Service Commission of Wisconsin (Not a party
4802 Sheboygan Avenue but must be served)
P.O. Box 7854
Madison, WI 53707

APPENDIX B

Part 32, Uniform System of Accounts for Class A and Class B Telephone Utilities, as adopted by this Commission is amended as follows:

1. Section 32.22 is amended by revising paragraph (a) and Note A to read as follows, and deleting paragraph (c) and renaming paragraphs (d)-(g) as paragraphs (c)-(f).

32.22 Comprehensive Interperiod Tax Allocation

~~(a)--Normalization-accounting-for-tax-differentials occurring-from-the-use-of-accelerated-depreciation-for-income-tax purposes-may-be-implemented-only-after-receiving-prior-authorization-from-the-commission.--A-plan-of-comprehensive-normalization for-all-tax-timing-differences-has-not-been-adopted-by-this commission.--The-tax-effects-of-certain-transactions-may-be-considered-in-the-review-of-written-requests-for-accounting-authorizations-related-to-deferral-and-amortization-of-extraordinary items-~~

(a) Companies shall apply interperiod tax allocation (tax normalization) to all book/tax timing differences which would be considered material for published financial report purposes. Furthermore, companies shall also apply interperiod tax allocation if any item or group of similar items when aggregated would yield debit or credit entries which exceed or would exceed 5 percent of the gross deferred income tax expense debits or credits during any calendar year over the life of the timing difference.

The tax effects of book/tax timing differences shall be normalized and the deferrals shall be included in the following accounts:

4100 Net Current Deferred Operating Income Taxes

4110 Net Current Deferred Nonoperating Income Taxes

4340 Net Noncurrent Deferred Operating Income Taxes

4350 Net Noncurrent Deferred Nonoperating Income Taxes

In lieu of the accounting prescribed herein, any company shall treat the increase/reduction in current income taxes payable resulting from the use of flow through accounting in prior years as an increase/reduction in current income tax expense.

~~(c)--With-respect-to-the-tax-differentials-that-are-phased-in, companies shall maintain underlying entries to and the balances in the above accounts so as to show that the deferred tax amounts are not greater than the phase-in percentage allowed by this commission-~~

~~(d)~~ (c) The records supporting the activity in the deferred income tax accounts shall be maintained in sufficient detail to

identify the nature of the specific timing differences giving rise to both the debits and credits to the individual accounts.

~~(e)~~ (d) Any company that uses accelerated depreciation (or recognizes taxable income or losses upon the retirement of property) for income tax purposes shall normalize the tax differentials occasioned thereby as indicated in paragraphs ~~(e)~~ (d) (1) and ~~(e)~~ (d) (2) of this section.

(1) With respect to the retirement of property the book/tax difference between (I) the recognition of proceeds as income and the accrual for salvage value and (II) the book and tax capital recovery shall be normalized.

(2) Records shall be maintained so as to show the deferred tax amounts by vintage year separately for each class or subclass of eligible depreciable telephone plant for which an accelerated method of depreciation has been used for income tax purposes. When property is transferred to nonregulated activities, the associated deferred income taxes and unamortized investment tax credits shall also be identified and transferred to the appropriate nonregulated accounts.

~~(f)~~ (e) The tax differentials to be normalized as indicated herein shall also encompass the additional effect of state and local income tax changes on Federal income taxes produced by the provisions for deferred state and local income taxes for book/tax timing differences related to such income taxes.

~~(g)~~ (f) Companies that receive the tax benefits from the filing of a consolidated income tax return by the parent company, (pursuant to closing agreements with the Internal Revenue Service, effective January 1, 1966) representing the deferred income taxes from the elimination of intercompany profits for income tax purposes on sales of regulated equipment may credit such deferred taxes directly to the plant account which contains such intercompany profit rather than crediting such deferred taxes to the applicable accounts in profit rather than crediting such deferred taxes to the applicable accounts in paragraph (a) of this section. If the deferred income taxes are recorded as a reduction of the appropriate plant accounts, such reduction shall be treated as reducing the original cost of the plant and accounted for as such.

NOTE A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow the accounting prescribed by the FCC ~~A-utility-so-electing-shall-report-on-an annual-and-monthly-(aggregated-basis-intrastate-results-under-the normalization-method-followed-by-this-commission- relating to the tax differentials that are phased in.~~

2. Section 32.3000 is revised to read as follows:

32.3000 INSTRUCTIONS FOR BALANCE SHEET ACCOUNTS -
DEPRECIATION AND AMORTIZATION

(a) Depreciation and Amortization Subsidiary Records

(1) Subsidiary record categories shall be maintained for each class of depreciable telecommunications plant in Account 3100 for which there is a prescribed depreciation rate. (See also paragraph 32.2000(g)(1)(iii) of this subpart. ~~Subaccounts shall also be maintained for each class of depreciable telecommunications plant in Account 3150 for which there are tax differentials occurring from the use of accelerated depreciation for income tax purposes. (See also paragraph 32.200(g)(2)(i).~~

(2) Subsidiary records shall be maintained for Accounts 3400, 3410, 3420, 3500 and 3600 in accordance with paragraph 32.2000(h)(4) of this subpart.

(b) Depreciation and Amortization Accounts to be Maintained by Class A and Class B Telephone Companies, as indicated:

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
DEPRECIATION AND AMORTIZATION		
Accumulated Depreciation	3100	3100
Accumulated Depreciation---Tax Savings	3150	3150
Accumulated Depreciation - Held for Future Telecommunications Use	3200	3200
Accumulated Depreciation - Nonoperating	3300	3300
Accumulated Amortization - Capitalized Leases	3410	3410
Accumulated Amortization - Leasehold Improvements	3420	3420
Accumulated Amortization - Intangible	3500	3500
Accumulated Amortization - Other	3600	3600

~~Note A:---Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed annual and monthly (aggregated) basis intrastate results under the normalization method followed by this Commission.~~

3. Section 32.3150 is deleted in its entirety.

4. Section 32.4100 is amended by deleting paragraph (f).

5. Section 32.4110 is amended by deleting paragraph (i).
6. Section 32.4340 is amended by deleting paragraph (f).
7. Section 32.4350 is amended by deleting paragraph (i).
8. Section 32.7250 is amended by deleting paragraph (c).
9. Section 32.7370(d) is revised to read as follows:

32.7370 Special charges.

(d) Penalties and fines paid on account of violations of statutes. This account shall also include penalties and fines paid on account of violations of U.S. statutes including judgments arising from a violation of antitrust laws, and payments in settlement of civil and criminal suits alleging such violations; and

10. Section 32.7620 is revised to read as follows:

32.7620 Extraordinary Income Charges.

This account shall be debited with nontypical, noncustomary and infrequently recurring losses which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items. ~~This account shall also include penalties and fines paid on account of violation of U.S. Statutes, including judgments arising from a violation of antitrust laws and payments in settlements of civil and criminal suits alleging such violations.~~ Income tax relating to the amounts recorded in this account shall be recorded in Account 7630, Current Income Tax Effect for Extraordinary Items - Net, and Account 7640, Provision for Deferred Income Tax Effect of Extraordinary Items - Net.

pdr12228903



State of Wisconsin \

PUBLIC SERVICE COMMISSION

February 12, 1990

CHARLES H. THOMPSON, CHAIRMAN
MARY LOU MUNTS, COMMISSIONER
JOHN T. COUGHLIN, COMMISSIONER

4802 Sheboygan Avenue
P. O. Box 7854
Madison, Wisconsin 53707

TO: All Wisconsin Telephone Utilities

On February 6, 1990, in docket 05-US-102, the Commission issued a supplemental order amending the Uniform System of Accounts (USOA) for Class A and Class B Telephone Utilities. Enclosed are the pages of our USOA that have been revised to reflect the amendments. Please insert the revised pages in your copy of the USOA.

Sincerely,

A handwritten signature in cursive script, appearing to read "Conrad A. Oleson".

Conrad A. Oleson, Administrator
Accounts and Finance Division

CAO:DLB:pdr02069006

Enclosures

Docket 05-US-102, Supplemental Order Dated February 6, 1990

Revisions to Uniform System of Accounts for Class A and Class B
Telephone Utilities

<u>Page</u>	<u>Section</u>
3	Preface
12-13	32.22
57	32.3000
58	32.3150
64	32.4100
64	32.4110
68	32.4340
69	32.4350
108	32.7250
110	32.7370
114	32.7620

DATE MAILED
MAY 4 1989

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Prescribing a Uniform)
System of Accounts for Class A and) 05-US-102
Class B Telephone Utilities)

Supplemental Order

THE COMMISSION FINDS:

By order dated October 1, 1987, in docket 05-US-102, the Commission adopted and prescribed with certain amendments the Uniform System of Accounts (USOA), as set forth in Federal Communications Commission (FCC) docket 78-196, for use by the Class A and Class B telephone companies under its jurisdiction.

This Commission is reopening this docket for purposes of considering the FCC's Joint Cost Order (JCO) and other USOA changes discussed below.

Since the release of the FCC's JCO, it was discovered that several minor problems resulted from the interaction of the USOA with the accounting provision of the JCO. By order released on October 11, 1987, in docket 86-111, the FCC adjusted certain areas of the USOA to ensure that nonregulated activities receive proper accounting treatment.

The JCO provides that if a nonregulated activity involves the joint or common use of assets and resources with regulated activities, the materials and supplies which are related to the nonregulated activity should be included in Account 1220, Materials and Supplies.

The FCC changed the title of account 1220 from "Materials and Supplies" to "Inventories." The FCC also required that subaccounts be maintained to reflect the distinction between inventories of property held for regulated activities and those acquired for sale or lease to others. These changes are adopted by this Commission.

The FCC also amended Account 2311, Station Apparatus and Account 2341, Large Private Branch Exchanges. The JCO requires distinctions between regulated and nonregulated costs in plant accounts; therefore, the FCC feels that there is no reason why these accounts could not be used to record property under operating leases to others.

This Commission does not adopt this change because our USOA provides that those companies not subject to dual jurisdiction should record CPE leased to others under an operating lease in Account 1406, Nonregulated Investments. Those companies subject to dual jurisdiction may elect to follow the accounting prescribed by the FCC. These companies apply Part 64 allocation procedures to separate the nonregulated activities from total company operations. These companies shall report by identifying regulated and nonregulated amounts in the manner and at times required by this Commission.

By order released on October 26, 1987, in docket 78-196, the FCC amended section 32.25 of the USOA to raise the \$100,000 limitation on corrections of prior period results that can be recorded in regular accounts without FCC approval.

Section 32.25 for Class A companies as amended by the FCC requires that corrections be measured in relation to the summary account levels prescribed for reporting purposes. For Class A companies, FCC approval is required for any correction in excess of 1 percent of the aggregate summary account dollars or \$1 million, whichever is higher.

For Class B companies, the threshold for requiring FCC approval is 1 percent of total operating revenues or 1 percent of total operating expenses.

The FCC also amended section 32.6540 and 32.6623 of the USOA to record billing and collection expenses in Account 6623, Customer Services rather than in Account 6540, Access Charges. Without this amendment, functionally similar activities would be recorded in different accounts.

These amendments are adopted by this Commission; except for the threshold level for Class A companies not subject to dual jurisdiction and for Class B companies. This Commission will leave the threshold for Class A companies not subject to dual jurisdiction and for Class B companies at the current level of \$100,000.

By order released on July 22, 1988, in docket 87-135, the FCC amended section 32.2000 to raise the expense limit from \$200 to \$500 for certain types of equipment. Certain items costing \$500 or less or having a life of less than 1 year shall be expensed rather than capitalized.

This Commission adopts this amendment. Generally it is in the public interest to expense low value items in the period of purchase rather than capitalize those items. Capitalizing those items would require allowing a rate of return on the investment along with the costs of continuing property record requirements.

By this order, this Commission is not adopting or approving any special amortization or write-off provision for previously capitalized units which would now be expensed under the raised limits. It is assumed that normal depreciation and retirement practices would apply to these amounts.

Class B companies may elect to continue to capitalize items costing between \$200 and \$500 in value provided that verifiable inventory records are maintained.

By order released on November 18, 1988, in docket 86-111, the FCC deleted Account 7991, Other Nonregulated Revenues and in its place established a new account in the 5000 series. This account is entitled Account 5280, Nonregulated Operating Revenue. For those companies subject to dual jurisdiction and having approved cost allocation manuals, expenses related to nonregulated activities involving the joint or common use of resources or assets are recorded in the regulated accounts. With the application of Part 64, the nonregulated expense portion is identified and removed from the regulated expense accounts. However, the nonregulated revenues were recorded in a nonoperating account. This amendment by the FCC changes the position of the

revenue account from the nonoperating to the operating portion of the income statement.

For revenue requirement purposes, this amendment would have no impact. The revenues recorded in account 5280 would be backed out of the income statement along with the expenses identified as nonregulated through the application of Part 64.

This Commission adopts this amendment only for those companies subject to dual jurisdiction and having an approved cost allocation manual. Our USOA currently provides that Account 7990, Nonregulated Net Income, be used for recording nonregulated revenues and expenses for all other companies. This accounting will be continued; therefore, the use of account 5280 will not be adopted for those companies not subject to dual jurisdiction.

In the investigation in docket 6030-IT-100, this Commission determined that the costs and revenues associated with third party information and materials included by the utility with customer billings are to be accounted for as utility expenses and revenues. By letter dated October 11, 1988, the Accounts and Finance staff informed the telephone utilities of this decision. It is appropriate at this time to clarify the various accounts affected by this decision.

This is a Type 3 WEPA action pursuant to PSC 2.90(3), Wis. Adm. Code. In addition, no unusual circumstances have come to the attention of the commission which would warrant further environmental review. It consequently requires neither an

Docket 05-US-102

environmental impact statement under s. 1.11, Wis. Stats., nor an environmental assessment.

Conclusion of Law

THE COMMISSION CONCLUDES:

That it has jurisdiction under s. 196.06, Wis. Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

Order

THE COMMISSION THEREFORE ORDERS:

1. That the Uniform System of Accounts for Class A and Class B Telephone Utilities as heretofore prescribed on October 1, 1987, by the Commission in the above-entitled docket be and the same is hereby further amended effective January 1, 1989, as set forth in the attached appendix.

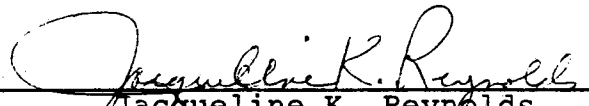
Docket 05-US-102

2. That this Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent Supplemental Orders.

Dated at Madison, Wisconsin,

May 2, 1989

By the Commission.


Jacqueline K. Reynolds
Secretary to the Commission

JKR:DLB:pdr03068906

See attached Notice of Appeal Rights.

Notice of Appeal Rights

To comply with the requirements of s. 227.48(2), Wis. Stats., notice is hereby given that a party aggrieved by the foregoing decision has the right and option to file a petition for rehearing as provided in s. 227.49, Wis. Stats., within 20 days of the date of mailing of this decision as shown on the first page. If there is no date on the first page, the date of mailing is the date indicated immediately above the signature line.

Notice is further given that a person aggrieved by the foregoing decision also has the right and option to file a petition for judicial review as provided in s. 227.53, Wis. Stats., within 30 days after the mailing of this decision. The Public Service Commission of Wisconsin shall be named as respondent in the petition for judicial review.

This general notification is for the purpose of ensuring compliance with s. 227.48(2), Wis. Stats., and does not constitute a conclusion or admission that any particular party is necessarily adversely affected or that any particular decision is final or appealable.

If this decision is an order after rehearing or reopening, a person aggrieved must seek judicial review rather than rehearing, if the person so desires. A second petition for rehearing is not an option.

Appendix

Part 32, Uniform System of Accounts for Class A and Class B Telephone utilities, as adopted by this Commission is amended as follows:

1. Section 32.25 is revised to read as follows:

§ 32.25 Unusual Items and contingent liabilities.

Extraordinary items, prior period adjustments and contingent liabilities shall be submitted to this Commission for review before being recorded in the company's books of account. Corrections of errors in prior periods which are below \$100,000; however, may be recorded in operating accounts without prior approval; shall be measured in relation to the summary account level used for reporting purposes for Class A carriers subject to dual jurisdiction, or in relation to total operating revenues or total operating expenses. For Class A carriers, subject to dual jurisdiction, no correction in excess of one percent of the aggregate summary account dollars or one million dollars, whichever is higher, may be recorded in current operating accounts without prior approval. For Class A carriers not subject to dual jurisdiction and for Class B carriers, no correction in excess of \$100,000 may be recorded in current operating accounts without prior approval.

2. Section 32.1220 is revised to read as follows:

§ 32.1220 Material and Supplies Inventories

(a) This account shall include the cost of material and supplies held in stock including plant supplies, motor vehicle supplies, tools, fuel, other supplies and articles of the company in process of manufacture for supply

stock. (Note also §-32-200(e)(2)(iii) of this subpart.) and inventories of goods held for resale or lease. The investment in inventories shall be maintained in the following sub-accounts:

1220.1 Material and supplies

1220.2 Property held for sale or lease

(b) 1220.1 Material and supplies. This sub-account shall include cost of material and supplies held in stock including plant supplies, motor vehicles supplies, tools, fuel, other supplies and material and articles of the company in process of manufacture for

supply stock. (Note also \$32.2000(c)(2)(iii) of this subpart.)

~~(b)~~ (c) Transportation charges and sales and use taxes, so far as practicable, shall be included as a part of the cost of the particular material to which they relate. Transportation and sales and use taxes which are not included as part of the cost of particular material shall be equitably apportioned among the detail accounts to which material is charged.

~~(e)~~ (d) So far as practicable, cash and other discount on material shall be deducted in determining the cost of the particular material to which they relate or credited to the account to which the material is charged. When such deduction is not practicable, discounts shall be equitably apportioned among the detail accounts to which material is charged.

~~(f)~~ (e) Material recovered in connection with construction, maintenance or retirement of property shall be charged to this account as follows:

(1) Reusable items that, when installed or in service, were retirement units shall be included in this account at the original cost, estimated if not known. (Note also \$32.2000(d)(3) of this subpart.)

(2) Reusable minor items that, when installed or in service, were not retirement units shall be included in this account at current prices new.

(3) The cost of repairing reusable material shall be charged to the appropriate account in the Plant Specific Operations Expense accounts.

(4) Scrap and nonuseable material included in this account shall be carried at the estimated amount which will be received therefor. The difference between the amounts realized for scrap and nonuseable material sold and the amounts at which it is carried in this account, so far as practicable, shall be adjusted in the accounts credited when the material was taken up in this account.

~~(g)~~ (f) Interest paid on material bills, the payments of which are delayed, shall be charged to Account 7540, Other Interest Deductions.

~~(h)~~ (g) Inventories of material and supplies shall be taken during each calendar year and the adjustments to this account shall be charged or credited to Account 6512, Provisioning Expense.

~~(g)~~ (h) Except for items held for sale or lease, this account shall not include materials and supplies which are dedicated to the company's nonregulated activities. (Note also Account 1406, Nonregulated Investments.)

(i) 1220.2 Property held for sale or lease. This subaccount shall include the cost of all items purchased for resale or lease. The cost shall include applicable transportation charges, sales and use taxes, and cash and other purchase discounts. Inventory shortage and overages shall be charged and credited, respectively, to Account 5280, Nonregulated Operating Revenue.

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

3. Section 32.1406 is revised to read as follows:

§ 32.1406 Nonregulated investments.

(a) For those companies subject to dual jurisdiction, this account shall include the carrier's investment in nonregulated activities accounted for in a separate set of books as provided in Section ~~32.27(b)~~ 32.23(b) of the FCC USOA. For other telephone companies, this account shall include all of the company's investment in physical property both in service and in stock, together with related accumulated depreciation that is used or held entirely for other than regulated telecommunications services. (Note also Account 1220, ~~Material and Supplies~~ Inventories.) It shall include the amount of all assessments for the construction of public improvements levied against nonregulated physical property utilized in nonregulated operations. Expenses directly incurred or allocated expenses associated with nonregulated activities shall be charged to Account 7990.2, Nonregulated Expenses.

(b) This account shall be subdivided as follows:

- 1406.10 Permanent Investment
- 1406.11 Depreciation Reserve
- 1406.12 Inventory

Note A: Please refer to Section 32.2311, Note G; Section 32.2321, Note B; and Section 32.2341, Note G.

Note B: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

4. Section 32.2000 is amended by revising paragraph (a)(4) to read as follows and adding Note A:

32.2000 INSTRUCTIONS FOR TELECOMMUNICATIONS PLANT ACCOUNTS

(a) ***

(4) The cost of individual items of equipment, classifiable to Accounts 2112, Motor Vehicles; 2113, Aircraft; 2114, Special Purpose Vehicles; 2115, Garage Work Equipment; 2116, Other Work Equipment; 2122, Furniture; 2123, Office Equipment; and 2124, General Purpose Computers, costing ~~\$200~~ \$500 or less or having a life less than one year shall be charged to the applicable Plant Specific Operations Expense accounts. If the aggregate investment in the items is relatively large at the time of acquisition, such amounts shall be maintained in an applicable materials and supplies account until the items are used.

Note A: Class B companies may elect to continue to capitalize items costing between \$200 to \$500 provided that verifiable inventory records are maintained.

5. Section 32.2311 paragraph (g) is revised to read as follows:

(g) Items of station apparatus in stock for which no further use in the ordinary conduct of the business is contemplated, but which as a precautionary measure, are held for possible future contingencies instead of being junked, shall be excluded from this account and included in Account 1220, ~~Materials and Supplies~~ Inventories.

6. Section 32.2341 paragraph (g) is revised to read as follows:

(g) Embedded CPE is that equipment or inventory which is tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. This account shall be used only by companies that have been permitted to offer tariffed CPE beyond December 31, 1987. CPE inventory includes the equipment in field stock and refurbished equipment held by the carrier on January 1, 1983. (Inventory of Large Private Branch Exchanges equipment is included in

Account 1220, Material and Supplies, Inventories.) To the extent that CPE equipment is not embedded, the costs shall be charged to Account 1406, Nonregulated Investment, or Account 7990, Nonregulated Net Income, as appropriate.

7. Section 32.4999 is amended by adding a new paragraph (l) and by revising paragraphs (l) and (m) to add Account 5280 to the list of revenue accounts to be maintained and adding Note A as follows:

§ 32.4999 General.

* * * * *

(l) Nonregulated revenues. The nonregulated revenue account shall be used for nonregulated operating revenues when a nonregulated activity involves the common or joint use of assets or resources in the provision of regulated and nonregulated products or services and when such activity is accounted for as required in §32.23(c) of the FCC's USOA, within the accounts prescribed in this system for telephone company operations. Revenues from nontariffed activities offered incidental to tariffed services may be accounted for as regulated revenues provided the activities are outgrowths of regulated operations and the revenues do not exceed in the aggregate one percent of total revenues for three consecutive years. Such activities must be listed in the Commission-approved Cost Allocation Manual for any company required to file a Cost Allocation Manual.

Note A: Paragraph (l) is not adopted for those companies not subject to dual jurisdiction or not having an approved cost allocation manual; however, any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by the FCC for this activity. A utility so electing shall report by identifying regulated and non-regulated amounts in the manner and at the times required by this commission.

~~(i)~~ (m) Uncollectible revenues. Uncollectible revenues shall include amounts originally credited to the revenue accounts which have proved impracticable of collection.

~~(m)~~ (n) Revenue accounts to be maintained.

Account Title * * * * *	Class A Account * * *	Class B Account * * *
Miscellaneous Revenues: * * * *	* * *	* * *
Carrier billing and collection revenue	5270	
Nonregulated Revenues: Nonregulated operating revenue	5280	5280
Uncollectible Revenues: * * * * *	* * *	* * *

8. Section 32.5264 is amended by revising paragraph (a)(7) and adding paragraph (a)(8) as follows:

§ 32.5264, Other Incidental Regulated Revenue

(a) * * *

(7) Revenues associated with third party information and materials included by the utility with customer billings.

~~(7)~~ (8) Other incidental revenue not provided for elsewhere in other Revenue accounts.

9. Section 32.5280 is added to read as follows:

§ 32.5280 Nonregulated operating revenue.

(a) This account shall include revenues derived from a nonregulated activity involving the common or joint use of assets or resources in the provision of regulated and non-regulated products or services which are not provided for elsewhere in this system of accounts.

(b) This account shall be debited and regulated revenue accounts shall be credited at tariffed rates when tariffed services are provided to nonregulated activities that are accounted for as prescribed in §32.23(c) of the FCC's USOA.

(c) Separate subsidiary record categories shall be maintained for each nonregulated revenue item recorded in this account.

Note A: This account is not adopted for those companies not subject to dual jurisdiction or not having an approved cost allocation manual, however, any Class A and Class B telephone utility subject to the jurisdiction of the FCC and having an approved cost allocation manual may elect to follow the accounting

prescribed by the FCC for this activity. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

10. Section 32.6540 is revised to read as follows:

(a) This account shall include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for the provision of ~~exchange access services-~~ carrier's carrier access.

(b) Subsidiary record categories shall be maintained in order that the company utility may separately report interstate and intrastate access expenses for switched access expense and billing and collection expense- carrier's carrier expense. Such subsidiary record categories shall be reported as required by Part 43 of the FCC's rules and regulations.

11. Section 32.6623 is amended to read as follows:

§ 32.6623 Customer Services

a This account shall include costs incurred in establishing and servicing customer accounts. This includes:

- ~~(a)~~ (1) Initiating customer service orders and records;
- ~~(b)~~ (2) Maintaining and billing customer accounts;
- ~~(c)~~ (3) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;
- ~~(d)~~ (4) Collecting and reporting pay station receipts; and
- ~~(e)~~ (5) Instructing customers in the use of products and services.

(b) This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by Part 43 of the FCC's Rules and Regulations.

(c) This account shall also include costs associated with third party information and materials included by the utility with customer billings.

12. Section 32.6999 is amended by revising paragraph (b) to delete the listing of Account 7991 as follows:

§ 32.6999 General

* * * * *

(b) Other Income Account Listing

Account Title * * * * *	Class A Account * * *	Class B Account * * *
Jurisdictional Differences and Nonregulated Income Items: * * * * *		
Nonregulated net income	* * * 7990	* * * 7990

13. Section 32.7991 is removed in its entirety.

DATE MAILED

OCT 6 1987

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

COMPARED WITH AND CERTIFIED BY ME
TO BE A FULL, TRUE AND CORRECT COPY
OF THE ORIGINAL ON FILE IN MY OFFICE

OCT 1 1987

Jaqueline K. Reynolds

Secretary to the Commission
Public Service Commission of Wisconsin



In the Matter of Prescribing a Uniform System)
of Accounts for Class A and Class B Telephone) 05-US-102
Utilities)

ORDER ADOPTING UNIFORM SYSTEM OF ACCOUNTS

THE COMMISSION FINDS:

By order dated January 18, 1962, in docket 2-U-902 this commission adopted and prescribed for use by the Class A and Class B Telephone Companies under its jurisdiction the Uniform System of Accounts (USOA) for Class A and Class B Telephone Companies issued by the Federal Communications Commission (FCC) together with such amendments as the FCC may subsequently prescribe unless this commission shall otherwise direct. This commission by supplemental orders in docket 2-U-902 dated May 12, 1964; August 11, 1970; December 3, 1971; January 24, 1972; October 17, 1974; February 19, 1975; July 11, 1976; February 14, 1980; June 25, 1981; August 26, 1983; December 20, 1983; and August 29, 1985, prescribed amendments to this system of accounts issued by the FCC.

On May 15, 1986, the FCC released its order in FCC docket 78-196 wherein it ordered that Part 31 of the Uniform System of Accounts for Class A and Class B Telephone Companies be replaced with a single new Uniform System of Accounts entitled Part 32, Uniform System of Accounts for Telephone Companies.

With the introduction of competition and new products, the FCC feels that the telecommunications industry has changed dramatically since parts 31 and 33 were first developed. The original accounting system was established in 1935 and was not flexible enough in regulating a rapidly changing telecommunications industry.

The USQA as written by the FCC classifies companies into two classes: Class A are those companies having annual revenues from regulated telecommunications operations of \$100,000,000 or more; Class B are those companies having annual revenues from regulated telecommunications operations of less than \$100,000,000. There would no longer be a Class C classification.

The new USQA is a financial-based accounting system flexible enough to permit further expansion. It has a two-dimensional matrix concept. This means that expenses would be classified by both purpose and type. The income statement and balance sheet are disaggregated and realigned to reflect products and services and, to the extent that regulatory considerations would permit, would accommodate generally accepted accounting principles (GAAP). The new USQA, to be more consistent with GAAP, would expense rather than capitalize a portion of indirect costs as incurred.

The commission staff met on numerous occasions with representatives of the Wisconsin State Telephone Association (WSTA) and also met individually with both Wisconsin Bell, Inc. (WBI) and GTE MTO, Inc. (GTE) to discuss the Uniform System of Accounts Rewrite (USQAR).

If this commission adopted the FCC system of classification, only WBI and GTE would be classified as Class A. The remaining telecommunications companies would be classified as Class B. Therefore, this commission will establish two classes as follows: Class A companies are those companies having 7,500 or more access lines or affiliated with a holding company having a combined total of 7,500 or more access lines. Class B companies are those companies having less than 7,500 access lines.

This commission considers the level of detail in Part 32 for Class B companies as prescribed by the FCC to be inadequate in enabling this commission to meet its regulatory duties as prescribed in Chapter 196, Wis. Stats. Therefore, this commission considers it reasonable to increase the level of detail of the Class B USQA to at least maintain the current level of detail that is available under Part 31 of the USQA.

One example of the lack of detail in the FCC prescribed Class B accounts is in the telecommunications plant accounts in service area. Here the FCC prescribes eight accounts for Class B. This commission considers it reasonable that the Class B companies maintain the same plant accounts as those prescribed for Class A.

This commission considers it necessary that both Class A and Class B companies maintain accounting detail that will support matrix expense classifications; however, except for companies subject to FCC jurisdiction, actual ledger accounts for the expense matrix are not required. The accounting records underlying the matrix categories shall be maintained in such detail that the total of the amounts distributed and the distribution is readily identified and available for audit and reporting purposes.

The FCC prescribes tax normalization to all book/tax timing differences which would be considered material for published financial report purposes. This commission has historically used tax normalization for the book/tax timing differences resulting from the use of accelerated depreciation for tax purposes following the Wisconsin method where tax savings will be recorded as depreciation expense. All other book/tax timing differences were flowed through. This commission will continue to use tax normalization in this manner.

This commission adopts Part 32 set forth in FCC docket 78-196 with certain amendments as set forth in the attached appendix. Any revision or amendments as made or adopted by the FCC subsequent to the issue date of this order will not be effective for Wisconsin jurisdictional purposes without order by this commission.

Conclusion of Law

THE COMMISSION CONCLUDES:

That it has jurisdiction under s. 196.06, Wis. Stats., to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

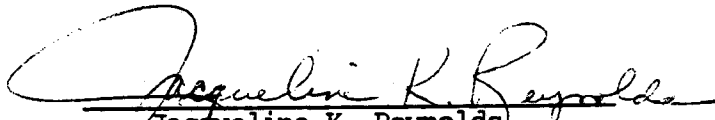
Order

THE COMMISSION THEREFORE ORDERS:

1. That the Uniform System of Accounts for Class A and Class B Telephone Utilities as prescribed, revised and amended on various dates by the commission in docket U-2-902 is hereby rescinded effective December 31, 1987.
2. That the Uniform System of Accounts for Class C Telephone Utilities as prescribed, revised and amended on various dates by this commission in docket 2-U-1041 is hereby rescinded effective December 31, 1987.
3. That the Uniform System of Accounts as prescribed by the Federal Communications Commission and amended as set forth in the attached Appendix is adopted by the commission effective January 1, 1988. Any revision or amendments as made or adopted by the FCC subsequent to the issue date of this order will not be effective for Wisconsin jurisdictional purposes without order by this commission.

Dated at Madison, Wisconsin, October 1, 1987

By the Commission.


Jacqueline K. Reynolds
Secretary to the Commission

JKR:DB:erb

See attached Notice of Appeal Rights.

Notice of Appeal Rights

To comply with the requirements of s. 227.48(2), Wis. Stats., notice is hereby given that a party aggrieved by the foregoing decision has the right and option to file a petition for rehearing as provided in s. 227.49, Wis. Stats., within 20 days of the date of mailing of this decision as shown on the first page. If there is no date on the first page, the date of mailing is the date indicated immediately above the signature line.

Notice is further given that a person aggrieved by the foregoing decision also has the right and option to file a petition for judicial review as provided in s. 227.53, Wis. Stats., within 30 days after the mailing of this decision. The Public Service Commission of Wisconsin shall be named as respondent in the petition for judicial review.

This general notification is for the purpose of ensuring compliance with s. 227.48(2), Wis. Stats., and does not constitute a conclusion or admission that any particular party is necessarily adversely affected or that any particular decision is final or appealable.

If this decision is an order after rehearing or reopening, a person aggrieved must seek judicial review rather than rehearing, if the person so desires. A second petition for rehearing is not an option.

APPENDIX

Part 32, Uniform System of Accounts for Class A and Class B Telephone Companies, as adopted by this commission is amended as follows:

1. SECTION 32.11 is amended by revising paragraph (a).(1), (a) (2), (b), (c), and (e) to read as follows:

32.11 Classification of Companies

(a) (1) For accounting purposes, companies are divided into classes as follows:

Class A. ~~Companies having annual revenues from regulated telecommunications operations of \$100,000,000 or more.~~ Companies having 7,500 or more access lines or affiliated with a holding company having a combined total of 7,500 or more access lines.

(a) (2) Class B. ~~Companies having annual revenues from regulated telecommunications operations of less than \$100,000,000.~~ Companies having less than 7,500 access lines.

(b) Class A companies shall keep all the accounts of this system of accounts which are applicable to their affairs and are designated as Class A accounts. These companies shall also keep Continuing Property Records in compliance with the requirements of paragraphs 32.2000 (e) (7) (A) and 32.2000 (f) of Subpart C. ~~These~~ Only those companies subject to the jurisdiction of the FCC shall also keep Basic Property Records in compliance with the requirements of paragraph 32.2000 (e) and (f) of Subpart C.

(c) Class B companies shall keep all the accounts of this system of accounts which are applicable to their affairs and are designated as Class B accounts. These companies ~~shall also~~ are encouraged to keep Continuing Property Records in compliance with the requirements of paragraphs 32.2000 (e) (7) (A) and 32.2000 (f) of Subpart C.

- (e) The initial classification of a company shall be determined by its lowest annual operating revenues number of access lines at December 31, of the five immediately preceding years immediate preceding year. Subsequent changes in classification shall be made when the annual operating revenues number of access lines for five consecutive years exceed 7,500 at December 31 of the preceding year. Companies will then have one year from that date in which to convert to the appropriate system of accounts. ~~Companies becoming subject to the jurisdiction of the commission and not having revenue data for the five immediately preceding years shall estimate the amount of their annual revenues and adopt the scheme of accounts appropriate for the amount of such estimated revenues.~~

2. SECTION 32.14 is amended by revising paragraphs (c), (d) and (f) and adding Note A as follows:

§ 32.14 Regulated Accounts.

* * * * *

- ~~(c) In the application of the detailed accounting requirements contained in this Part, when a regulated activity involves the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, companies shall account for these activities within the accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets used and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Companies shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not provided for in regulated accounts shall be recorded in Account 7991, Other nonregulated revenues.~~

- (c) In the application of the detailed accounting requirements contained in this Part, the investments, expenses and other costs which are associated with the joint provision of regulated products and services and any other product or service shall be accounted for initially as a regulated investment, expense or other costs. Such joint costs shall be distributed between a) regulated products and services and b) other products and services, in accordance with procedures approved by this Commission.
- (d) Other income items which are incidental to the provision of regulated telecommunications products and services shall be ~~accounted for as regulated products~~ recorded in the detailed regulated accounts. Other income items which are wholly attributable to other than regulated telecommunications products and services shall not be included in the accounts prescribed for regulated telecommunications products and services.
- (f) All items of ~~nonregulated~~ revenue, investment and expense that are not properly includible in the detailed regulated accounts prescribed in Subparts A through F of this part, as determined in paragraphs (a) through (e) of this section shall be accounted for and included in reports to this Commission as specified in paragraph 32.23 of this subpart.

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this activity. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

3. SECTION 32.16 is amended by revising paragraph (a) as follows:

32.16 Changes in Accounting Standards

- (a) The company's records and accounts ~~shall~~ may be adjusted to apply new accounting standards prescribed by the Financial Accounting Standards Board or successor authoritative accounting standard-setting groups, in a manner consistent with generally accepted accounting principles when approved by this commission. Commission approval of a change in accounting standard will automatically take effect 90 days after the company informs this Commission of its intention to follow the new standard, unless the Commission notifies the company to the contrary. Concurrent with informing this commission of its intent to adopt an accounting standards change, ~~the Class A company~~ companies subject to FCC jurisdiction shall also file a copy of the revenue requirement study as required by the FCC for the current year and a projection for three years into the future analyzing the effects of the accounting standards change. Other companies shall file with this Commission an analysis showing the effects of the accounting standards change on the revenue requirement for the current year. Furthermore, any change subsequently adopted shall be disclosed in annual reports to this commission.

4. SECTION 32.22 is amended by revising paragraph (a) and Note A to read as follows:

32.22 Comprehensive Interperiod Tax Allocation

- (a) Normalization accounting for tax differentials occurring from the use of accelerated depreciation for income tax purposes may be implemented only after receiving prior authorization from the commission. A plan of comprehensive normalization for all tax timing differences has not been adopted by this commission. The tax effects of certain transactions may be considered in the review of written requests for accounting authorizations related to deferral and amortization of extraordinary items.

- (a) ~~Companies shall apply interperiod tax allocation (tax normalization) to all book/tax timing differences which would be considered material for published financial report purposes. Furthermore, companies shall also apply interperiod tax allocation if any item or group of similar items when aggregated would yield debit or credit entries which exceed or would exceed 5 percent of the gross deferred income tax expense debits or credits during any calendar year over the life of the timing difference. Book/tax timing differences, other than those resulting from accelerated depreciation or waiver, however, shall be phased in over a period of five years as directed by this Commission. The tax effects of all book/tax timing differences shall be normalized and the deferrals shall be included in the following accounts:~~

~~4100 Net Current Deferred Operating Income Taxes~~

~~4110 Net Current Deferred Nonoperating Income Taxes~~

~~4340 Net Noncurrent Deferred Operating Income Taxes~~

~~4350 Net Noncurrent Deferred Nonoperating Income Taxes~~

~~In lieu of the accounting prescribed herein, any company shall treat the increase/reduction in current income taxes payable resulting from the use of flow-through accounting in prior years and the phase in years as an increase/reduction in current income tax expense.~~

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow the accounting prescribed by the FCC. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this commission.

5. SECTION 32.23 is amended by revising paragraphs (a), (b) and (c) and adding Note A as follows:

§ 32.23 Nonregulated activities.

- ~~(a) This section describes the accounting treatment of activities classified for accounting purposes as "nonregulated." Preemptively deregulated activities and activities (other than incidental activities) never subject to regulation will be classified for accounting purposes as "nonregulated." Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. Activities that have been deregulated by a state will be classified for accounting purposes as regulated activities. Activities that have been deregulated at the interstate level, but not preemptively deregulated, will be classified for accounting purposes as regulated activities until such time as this Commission decides otherwise. The treatment of nonregulated activities shall differ depending on the extent of the common or joint use of assets and resources in the provision of both regulated and nonregulated products and services.~~
- ~~(b) When a nonregulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and nonregulated products and services, carriers shall account for these activities on a separate set of books consistent with instructions set forth in Sections 32.1406 and 32.7990. Transfers of assets, and sales of products and services between the regulated activity and a nonregulated activity for which a separate set of books is maintained, shall be accounted for in accordance with the rules presented in Section 32.27, Transactions with Affiliates. In the separate set of books, carriers may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in Section 32.1406 and Section 32.7990.~~
- ~~(c) When a nonregulated activity does involve the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Carriers~~

~~shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not provided for elsewhere shall be recorded in a separate subaccount of Account 7991, Other Nonregulated revenues. Amounts assigned or allocated to regulated products or services shall be subject to Part 67 of this Chapter.~~

(a) The nonregulated accounts described in this section shall include the results of the company's nonregulated activities for purposes of accounting and reporting to this Commission.

(b) The nonregulated accounts described in this section are to be used only by those companies which are engaged in the provision of both regulated telecommunications products and services and other products and services through a single entity.

(c) Detailed cost data for nonregulated activities shall be maintained. The amounts to be included in the accounts prescribed by this Commission (see paragraph (d) below) shall be determined in accordance with the instructions contained in paragraphs 32.14(a) through 32.14(f) of this Part.

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this activity. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

6. SECTION 32.24 is amended by revising paragraph (a) as follows:

32.24 Compensated Absences

(a) ~~Companies~~ As approved by this commission companies may ~~shall~~ record a liability and charge the appropriate expense accounts for

compensated absences (vacations, sick leave etc.) in the year in which these benefits are earned by employees.

7. SECTION 32.27 Because of the Wisconsin Public Service Commission jurisdiction concerning affiliated interests as provided by Section 196.52, Wisconsin Statutes, Section 32.27 of the FCC Uniform System of Accounts concerning transactions with affiliates is not adopted.

8. SECTION 32.101 is amended to read as follows:

32.101 Structure of the Balance Sheet Accounts

The balance sheet accounts shall be maintained as follows:

Account 1120, Cash and Equivalents, through Account 1500, Other Jurisdictional Assets - Net, shall include assets other than regulated-fixed assets.

Account 2001, Telecommunications Plant in Service, through ~~Account 2007, Goodwill~~ Account 2006, Nonoperating Plant, shall include the regulated-fixed assets.

Account 3100, Accumulated Depreciation through Account 3600, Accumulated Amortization - Other, shall include the asset and deferred tax reserves.

Account 4010, Accounts Payable, through Account 4550, Retained Earnings, shall include all liabilities and stockholders' equity.

9. SECTION 32.102 is amended and Note A is added to read as follows:

32.102 Nonregulated Investments

Nonregulated investments shall include the investment in nonregulated activities that are conducted through the same legal entity as the telephone company operations. See § 32.14 and § 32.23.

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

10. SECTION 32.1190 is amended to add paragraph (d) as follows:

32.1190 Other Accounts Receivable

(d) This account shall be maintained by the following subaccounts:

1190.1 Other Accounts Receivable - Affiliated

1190.2 Other Accounts Receivable - Other

11. SECTION 32.1191 is amended to add paragraph (d) as follows:

32.1191 Accounts Receivable Allowance - Other

(d) This account shall be maintained by the following subaccounts:

1191.1 Accounts Receivable Allowance - Affiliated

1191.2 Accounts Receivable Allowances - Other

12. SECTION 32.1200 is amended to add paragraph (c) as follows:

32.1200 Notes Receivable

(c) This account shall be maintained by the following subaccounts:

1200.1 Notes Receivable - Affiliated

1200.2 Notes Receivable - Other

13. SECTION 32.1201 is amended to add paragraph (d) as follows:

32.1201 Notes Receivable allowance

(d) This account shall be maintained by the following subaccounts:

1201.1 Notes Receivable Allowance - Affiliated

1201.2 Notes Receivable Allowance - Other

14. SECTION 32.1220 is amended by revising paragraph (g) and adding Note A to read as follows:

32.1220 Material and Supplies

~~(g) This account shall not include material and supplies which are related to a nonregulated activity unless that activity involves joint or common use of assets and resources in the provision of regulated and nonregulated products and services.~~

(g) This account shall not include materials and supplies which are dedicated to the company's nonregulated activities. (Note also Account 1406, Nonregulated Investments).

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

15. SECTION 32.1401 is amended by revising paragraph (e) to read as follows:

32.1401 Investments in Affiliated Companies

- (e) Amounts due from affiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Accounts Receivable, ~~Account 1190, Other Accounts Receivable, Account 1190.1, Other Accounts Receivable - Affiliated, or Account 1200, Notes Receivable, Account 1200.1, Notes Receivable - Other,~~ as appropriate.

16. SECTION 32.1402 is amended by revising paragraph (e) to read as follows:

34.1402 Investments in Nonaffiliated Companies

- (e) Amounts due from nonaffiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Accounts Receivable ~~, Account 1190, Other Accounts Receivable, Account 1190.2, Other Accounts Receivable - Other, or Account 1200, Notes Receivable, Account 1200.2, Notes Receivable - Other~~ Affiliated, as appropriate.

17. SECTION 32.1406 is amended by revising paragraph (a) and (b) and adding Note A and B as follows:

32.1406 Nonregulated investments.

- (a) For those companies subject to dual jurisdiction, this account shall include the carrier's investment in nonregulated activities accounted for in a separate set of books as provided in Section 32.27(b).

- (a) For other telephone companies, this account shall include all of the company's investment in physical property both in service and in stock, together with related accumulated depreciation that is used or held entirely for other than regulated telecommunications services. (Note also Account 1220, Material and Supplies.) It shall include the amount of all assessments for the construction of public improvements levied against nonregulated physical property utilized in nonregulated operations.

Expenses directly incurred or allocated expenses associated with nonregulated activities shall be charged to Account 7990.2, Nonregulated Expenses.

(b) This account shall be subdivided as follows:

~~1406.1 Permanent investment~~
~~1406.2 Receivable/payable~~
~~1406.3 Current net income or loss~~
1406.10 Permanent Investment
1406.11 Depreciation Reserve
1406.12 Inventory

Note A: Please refer to Section 32.2311, Note G; Section 32.2321, Note B; and Section 32.2341, Note G.

Note B: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

18. SECTION 32.2000 is amended by revising paragraph (a) (1) as follows:

32.2000 Instructions for telecommunications plant accounts.

(a) (1) The telecommunications plant accounts (2001 to ~~2007~~ 2006 inclusive) are designed to show the investment in the company's tangible and intangible telecommunications plant which ordinarily has a service life of more than one year, including such plant whether used by the company or others in providing the telecommunications service.

19. SECTION 32.2000 is amended by revising paragraph (b) (2) (iv) and paragraph (b) (4) to read as follows:

32.2000 Instructions for Telecommunications Plant Accounts

(b) (2) (iv) Any amount remaining in Account 1439, applicable to the plant acquired, shall, upon completion of the entries provided in paragraphs (b) (2) (i) (ii) above, be debited or credited, as applicable, to ~~Account 2007, Goodwill, or to~~ Account 2005, Telecommunications Plant Adjustment. ~~as appropriate.~~

(b) (4) Companies shall submit to the Commission for consideration and approval copies of journal entries recording acquisition of telecommunications plant covered by this instruction when the consideration paid is ~~\$1,000,000~~ \$100,000 or greater ~~(Class A companies) and \$250,000 or greater (Class B companies).~~ The text of such entries shall give a complete description of the property acquired and the basis upon which the amounts of the entries have been determined.

20. SECTION 32.2000 is amended by revising paragraph (c) (2) (x) to read as follows:

32.2000 Instructions for Telecommunications Plant Accounts

(c) (2) (x) "Allowance for funds used during Construction" includes the cost of debt and equity funds used in the construction of telecommunications property and shall be applied to telecommunications property to be completed in over one year as described in section 32.2004 of this subpart, No interest during construction shall be accrued on telecommunication property to be completed in one year or less, as described in paragraph 2003 unless specifically authorized by this commission. Allowance for funds used during construction shall be charged to the accounts appropriate for the cost of the property acquired or constructed as follows:

21. SECTION 32.2000 is amended by revising paragraph (g) (2) (i) and (ii) to read as follows:

32.2000 Instructions for Telecommunications Plant Accounts

(g) Depreciation Accounting

(2) Depreciation Charges

- (i) A separate annual percentage rate for each depreciation category of telecommunications plant shall be used in computing depreciation charges. If applicable, tax savings depreciation resulting from normalization accounting for tax differentials occurring from the use of accelerated depreciation for income tax purposes shall also be recorded in the depreciation expense and accumulated depreciation accounts. Normalization accounting for such item may be implemented only after receiving prior authorization from this commission. The company shall maintain a separate accumulated book depreciation subaccount for each depreciable plant account and plant subaccount. In addition, a separate accumulated tax savings depreciation subaccount for each depreciable plant account and plant subaccount shall be maintained.

~~(ii) Companies, upon receiving prior approval from this Commission, or, upon prescription by this Commission, shall apply such depreciation rate, except where provisions of paragraph (g) (2) (iv) of this section apply, as will ratably distribute on a straight line basis the difference between the net book cost of a class or subclass of plant and its estimated net salvage during the known or estimated remaining service life of the plant.~~

- (ii) Except where provisions of paragraph (g) (2) (iv) of this section or Wisconsin Statutes, Section 196.09(1) apply, companies upon receiving prior approval or certification by the Public Service Commission of Wisconsin shall apply such depreciation rate as will ratably distribute on a straight line basis 1) the original book cost of a class or subclass of plant and its estimated net salvage during the known or estimated service life of the plant, or 2) the net book cost of a class or subclass of plant and its estimated net salvage over the known or estimated remaining service life of the plant, as determined by the Public Service Commission of Wisconsin.

22. SECTION 32.2000 paragraph (j) is amended to read as follows:

(j) Plant Accounts to be Maintained by Class A and Class B telephone companies as indicated:

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
REGULATED PLANT		
<u>Property, Plant and Equipment</u>		
Telecommunications Plant in Service	1 2001	1 2001
Property Held for Future Telecommunications Use	2002	2002
Telecommunications Plant Under Construction-Short Term	2003	2003
Telecommunications Plant Under Construction-Long Term	2004	2004
Telecommunications Plant Adjustment	2005	2005
Nonoperating Plant	2006	2006
Goodwill	2007	2007
TELECOMMUNICATIONS PLANT IN SERVICE (TPIS)		
<u>TPIS - General Support Assets</u>		
Land and Support Assets		2110
Land	2111	2111
Motor Vehicles	2112	2112
Aircraft	2113	2113
Special Purpose Vehicles	2114	2114
Garage Work Equipment	2115	2115
Other Work Equipment	2116	2116
Buildings	2121	2121
Furniture	2122	2122
Office Equipment	2123	2123
General Purpose Computers	2124	2124
1 Balance Sheet Summary Account only		
<u>TPIS - Central Office Assets</u>		
Central Office Switching		2210
Analog Electronic Switching	2211	2211
Digital Electronic Switching	2212	2212
Electro-Mechanical Switching	2215	2215
Operator Systems	2220	2220
Central Office Transmission		2230
Radio Systems	2231	2231
Circuit Equipment	2232	2232

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
TELECOMMUNICATIONS PLANT IN SERVICE (TPIS) (Continued)		
<u>TPIS - Information Origination/Termination Assets</u>		
Information Origination/Termination		2310
Station Apparatus	2311	<u>2311</u>
Customer Premises Wiring	2321	<u>2321</u>
Large Private Branch Exchanges	2341	<u>2341</u>
Public Telephone Terminal Equipment	2351	<u>2351</u>
Other Terminal Equipment	2362	<u>2362</u>
<u>TPIS - Cable Wire Facilities Assets</u>		
Cable and Wire Facilities		2410
Poles	2411	<u>2411</u>
Aerial Cable	2421	<u>2421</u>
Underground Cable	2422	<u>2422</u>
Buried Cable	2423	<u>2423</u>
Submarine Cable	2424	<u>2424</u>
Deep Sea Cable	2425	<u>2425</u>
Intrabuilding Network Cable	2426	<u>2426</u>
Aerial Wire	2431	<u>2431</u>
Conduit Systems	2441	<u>2441</u>
<u>TPIS - Amortizable Assets</u>		
Amortizable Tangible Assets		2680
Capital Leases	2681	<u>2681</u>
Leasehold Improvements	2682	<u>2682</u>
Intangibles	2690	<u>2690</u>

23. SECTION 32.2003 is amended by revising paragraph (b) and adding paragraph (e) as follows:

32.2003 Telecommunications Plant Under Construction - Short Term

- (b) There may be charged directly to the appropriate plant accounts the cost of any construction project which is estimated to be completed and ready for service within two months from the date on which the project was begun. For companies subject to FCC jurisdiction, there may also be charged directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$100,000. Other companies may charge directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$25,000.

(e) No interest during construction shall be accrued on plant includable in this account unless specifically authorized by this Commission.

24. SECTION 32.2004 is amended by revising paragraph (b) as follows:

32.2004 Telecommunications Plant Under Construction - Long Term

(b) For companies subject to FCC jurisdiction, there may be charged directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$100,000. Other companies may charge directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$25,000.

25. SECTION 32.2005 is amended by revising paragraph (b) (3) as follows:

32.2005 Telecommunications Plant Adjustment

(b) (3) Within one year from the date of inclusion in this account of a debit or credit amount with respect to a current acquisition, the company may dispose of the total amount from an acquisition of telephone plant by a lump-sum charge or credit, as appropriate, to Account 6565 without further approval of this Commission, provided that such amount does not exceed ~~\$100,000~~ \$10,000 and that the plant was not acquired from an affiliated company.

26. SECTION 32.2007 is not adopted by this Commission.

27. SECTION 32.2110 is not adopted by this Commission.

28. SECTION 32.2210 is not adopted by this Commission.

29. SECTION 32.2230 is not adopted by this Commission.

30. SECTION 32.2310 is not adopted by this Commission.

31. SECTION 32.2311 is amended by revising paragraph (h) and adding Note A and Note B as follows:

32.2311 Station Apparatus

- (h) Embedded CPE is that equipment or inventory which was tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. This account shall be used only by companies that have been permitted to offer tariffed CPE beyond December 31, 1987. CPE inventory includes the equipment in field stock and refurbished equipment held by the carrier on January 1, 1983. To the extent that CPE equipment is not embedded, the costs shall be charged to Account 1406, Nonregulated Investment, or Account 7990, Nonregulated Net Income, as appropriate.

Note A: Items that would have been included in this account are no longer classified as regulated property in Wisconsin and should be accounted for in Account 1406.10, Nonregulated Investments - Permanent Investment.

Note B: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

32. SECTION 32.2321 is amended by revising paragraph (b) and adding Note A and Note B as follows:

32.2321 Customer Premises Wiring

- (b) Embedded Customer Premises Wiring is that investment in customer premises wiring equipment or inventory which was capitalized prior to October 1, 1984. To the extent that customer premises inside wiring is not embedded, the costs shall be charged to Account 1406, Nonregulated Investment, or Account 7990, Nonregulated Net Income, as appropriate.

Note A: Items that would have been included in this account are no longer classified as regulated property in Wisconsin and should be accounted for in Account 1406.10, Nonregulated Investments - Permanent Investment.

Note B: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

33. SECTION 32.2341 is amended by revising paragraph (g) and adding Note A and Note B as follows:

- (g) Embedded CPE is that equipment or inventory which is tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. This account shall be used only by companies that have been permitted to offer tariffed CPE beyond December 31, 1987. CPE inventory includes the equipment in field stock and refurbished equipment held by the carrier on January 1, 1983. (Inventory of Large Private Branch Exchanges equipment is included in Account 1220, Material and Supplies.) To the extent that CPE equipment is not embedded, the costs shall be charged to Account 1406, Nonregulated Investment, or Account 7990, Nonregulated Net Income, as appropriate.

Note A: Items that would have been included in this account are no longer classified as regulated property in Wisconsin and should be accounted for in Account 1406.10, Nonregulated Investments - Permanent Investment.

Note B: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

34. SECTION 32.2410 is not adopted by this Commission.
35. SECTION 32.2680 is not adopted by this Commission.
36. SECTION 32.3000 is amended to revise paragraph (a) (1) and paragraph (b) and add Note A as follows:

32.3000 Instructions for Balance Sheet Accounts - Depreciation and Amortization

32.3000(a) Depreciation and Amortization Subsidiary Records

- (1) Subsidiary record categories shall be maintained for each class of depreciable telecommunications plant in Account 3100 for which there is a prescribed depreciation rate. (See also paragraph 32.2000 (g) (1) (iii) of this subpart. Subaccounts shall also be maintained for each class of depreciable telecommunications plant in Account 3150 for which there are tax differentials occurring from the use of accelerated depreciation for income tax purposes. (See also paragraph 32.2000 (g) (2) (i).
- (b) Depreciation and Amortization Accounts to be Maintained by Class A and Class B Telephone Companies, as indicated:

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
DEPRECIATION AND AMORTIZATION		
Accumulated Depreciaton	3100	3100
<u>Accumulated Depreciation - Tax Savings</u>	<u>3150</u>	<u>3150</u>
Accumulated Depreciation - Held		
for Future Telecommunications Use	3200	3200
Accumulated Depreciation - Nonoperating	3300	3300
Accumulated Amortization - Tangible		3400
Accumulated Amortization - Capitalized		
Leases	3410	<u>3410</u>
Accumulated Amortization - Leasehold		
Improvements	3420	<u>3420</u>
Accumulated Amortization - Intangible	3500	<u>3500</u>
Accumulated Amortization - Other	3600	3600

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this Commission.

37. SECTION 32.3150 is added as follows:

32.3150 Accumulated Depreciation - Tax Savings

- (a) This account shall include the accumulated tax savings resulting from the use of accelerated depreciation for income tax purposes.

Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this Commission.

- (b) This account shall be credited with tax savings depreciation amounts concurrently charged to Account 6561, Depreciation Expense - Telecommunications Plant in Service.

38. SECTION 32.3400 is not adopted by this Commission.

39. SECTION 32.4010 is amended to add paragraph (d) as follows:

32.4010 Accounts Payable

- (d) This account shall be maintained by the following subaccounts:

4010.1 Accounts Payable - Affiliated

4010.2 Accounts Payable - Other

40. SECTION 32.4020 is amended to add paragraph (e) as follows:

32.4020 Notes Payable

- (e) This account shall be maintained by the following subaccounts:

4020.1 Notes Payable - Affiliated

4020.2 Notes Payable - Other

41. SECTION 32.4070 is amended to add paragraph (c) as follows:

32.4070 Income Taxes - Accrued

- (c) This account shall be maintained by the following subaccounts:

4070.1 Income Taxes Accrued - Federal

4070.2 Income Taxes Accrued - State

42. SECTION 32.4100 is amended by adding paragraph (f) as follows:

32.4100 Net Current Deferred Operating Income Taxes

- (f) This account is not adopted by this Commission; however, any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by the FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this commission.

43. SECTION 32.4110 is amended by adding paragraph (i) as follows:

32.4110 Net Current Deferred Nonoperating Income Taxes

- (i) This account is not adopted by this commission; however, any Class A or B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by the FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this commission.

44. SECTION 32.4120 is amended by adding paragraph (e) as follows:

32.4120 Other Accrued Liabilities

(e) This account shall be maintained by the following subaccounts:

4120.1 Other Accrued Liabilities - Wages and Other Compensation

4120.2 Other Accrued Liabilities - Interest Expenses

4120.3 Other Accrued Liabilities - Compensated Absences

4120.4 Other Accrued Liabilities - Rents

4120.6 Other Accrued Liabilities - Other

45. SECTION 32.4340 is amended by adding paragraph (f) as follows:

32.4340 Net Noncurrent Deferred Operating Income Taxes

(f) This account is not adopted by this Commission; however, any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this Commission.

46. SECTION 32.4350 is amended by adding paragraph (i) as follows:

32.4350 Net Noncurrent Deferred Nonoperating income Taxes

(i) This account is not adopted by this Commission; however, any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this Commission.

47. SECTION 32.4999, paragraph (m), is amended to read as follows:

32.4999 (m) General Revenue Accounts to be Maintained

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
LOCAL NETWORK SERVICES REVENUES		
Basic Local Service Revenue	1 5000	5000
Basic Area Revenue	5001	
Optional Extended Area Revenue	5002	
Cellular Mobile Revenue	5003	
Other Mobile Services Revenue	5004	
Public Telephone Revenue	5010	
Local Private Line Revenue	5040	
Customer Premises Revenue	5050	
Other Local Exchange Revenue	5060	
Other Local Exchange Revenue Settlements	5069	
NETWORK ACCESS SERVICES REVENUES		
Network Access Revenue	1 5080	<u>1</u> 5080
End User Revenue	5081	5081
Switched Access Revenue	5082	5082
Special Access Revenue	5083	5083
State Access Revenue	1 5084	<u>1</u> 5084
<u>End User Revenue</u>	<u>5084.1</u>	<u>5084.1</u>
<u>Switched Access Revenue</u>	<u>5084.2</u>	<u>5084.2</u>
<u>Special Access Revenue</u>	<u>5084.3</u>	<u>5084.3</u>
LONG DISTANCE NETWORK SERVICES REVENUES		
Long Distance Message Revenue	1 5100	5100
Unidirectional Long Distance Revenue	5110	
Long Distance Inward-Only Revenue	5111	
Long Distance Outward-Only Revenue	5112	
Long Distance Private Network Revenue	1 5120	
Subvoice Grade Long Distance Private Network Revenue	5121	
Voice Grade Long Distance Private Network Revenue	5122	
Audio Program Grade Long Distance Private Network Revenue	5123	
Video Program Grade Long Distance Private Network Revenue	5124	
Digital Transmission Long Distance Private Network Revenue	5125	
Long Distance Private Network Switching Revenue	5126	
Other Long Distance Private Network Revenue	5128	
Other Long Distance Private Network Revenue Settlements	5129	
Other Long Distance Revenue	5160	
Other Long Distance Revenue Settlements	5169	

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
MISCELLANEOUS REVENUES		
Miscellaneous Revenue		5200
Directory Revenue	5230	<u>5230</u>
Rent Revenue	5240	<u>5240</u>
Corporate Operations Revenue	1 5250	<u>5250</u>
Miscellaneous Revenue	5260	<u>5260</u>
Special Billing Arrangements Revenue	5261	
Customer Operations Revenue	5262	
Plant Operations Revenue	5263	
Other Incidental Regulated Revenue	5264	
Other Revenue Settlements	5269	
Carrier Billing and Collection Revenue	5270	<u>5270</u>

UNCOLLECTIBLE REVENUES

Uncollectible Revenue	1 5300	5300
Uncollectible Revenue - Telecommunications	5301	
Uncollectible Revenue - Other	5302	

¹ ~~To be used by Class A telephone companies to summarize accounts.~~
~~for reporting purposes.~~

48. Section 32.5080 is amended to read as follows:

32.5080 Network Access Revenue

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 5081 through ~~5084~~ 5083. It shall include revenue derived from the provision of exchange access services to an interexchange carrier or to an end user of telecommunications service beyond the exchange carrier's network.

49. SECTION 32.5084 is amended to read as follows:

32.5084 State Access Revenues

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 5084.1 through 5084.3.

This account shall include all state tariffed charges assessed by local exchange carriers upon interexchange carriers and end users access for access to the local exchange network for intrastate telecommunications.

Note: Billing and collections services provided under exchange access tariffs shall be included in Account 5270, Carrier Billing and Collection Revenue.

50. SECTION 32.5084.1 is added as follows:

32.5084.1 End User Revenue

This account shall contain the state tariffed monthly flat rate charge assessed upon end users.

51. SECTION 32.5084.2 is added as follows:

32.5084.2 Switched Access Revenue

(a) This account shall consist of state tariffed charges assessed to interexchange carriers for access to local exchange facilities.

(b) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to limited pay telephone, carrier common line, line termination, local switching, intercept, information, common transport and dedicated transport. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

52. SECTION 32.5084.3 is added as follows:

32.5084.3 Special Access Revenue

(a) This account shall include all state tariffed charges assessed for other than end user or switched access charges referred to in Account 5084.1, End User Revenue, and Account 5084.2, Switched Access Revenue.

(b) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to recurring charges, nonrecurring charges and surcharges. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

53. SECTION 32.5200 is not adopted by this Commission.

54. SECTION 32.5999 is amended by adding (f) (6) as follows:

Section 32.5999 General

(f) (6) Except for companies subject to dual state and federal jurisdiction actual ledger accounts for the expense matrix are not required. However, accounting records underlying the matrix categories shall be maintained in such detail that the total of the amounts distributed and the distribution is readily identified and available for audit and reporting purposes.

55. SECTION 32.5999, paragraph (h), is amended to read as follows:

32.5999 (h) General Expense Accounts to be Maintained

<u>Account Title</u>			<u>Class A</u> <u>Account</u>		<u>Class B</u> <u>Account</u>
<u>INCOME STATEMENT ACCOUNTS</u>					
PLANT SPECIFIC OPERATIONS EXPENSE					
Network Support Expenses	1	2	6110	<u>1</u>	6110
Motor Vehicle Expense		1	6112		
Aircraft Expense		1	6113		
Special Purpose Vehicles Expense		1	6114		
Garage Work Equipment Expense		1	6115		
Other Work Equipment Expense		1	6116		
General Support Expenses	1	2	6120	<u>1</u>	6120
Land and Building Expenses		1	6121		
Furniture and Artworks Expense		1	6122		
Office Equipment Expense		1	6123		
General Purpose Computers Expense		1	6124		
Central Office Switching Expenses	1	2	6210	<u>1</u>	6210
Analog Electronic Expense		1	6211		
Digital Electronic Expense		1	6212		
Electro-Mechanical Expense		1	6215		
Operators System Expense		1	6220	<u>1</u>	6220
Central Office Transmission Expenses	1	2	6230	<u>1</u>	6230
Radio Systems Expense		1	6231		
Circuit Equipment Expense		1	6232		
Information Origination/Termination Expense	1	2	6310	<u>1</u>	6310
Station Apparatus Expense		1	6311		
Large Private Branch Exchange Expense		1	6341		
Public Telephone Terminal Equipment Expense		1	6351		
Other Terminal Equipment Expense		1	6362		
Cable and Wire Facilities Expenses	1	2	6410	<u>1</u>	6410
Poles Expense		1	6411		
Aerial Cable Expense		1	6421		
Underground Cable Expense		1	6422		
Buried Cable Expense		1	6423		
Submarine Cable Expense		1	6424		
Deep Sea Cable Expense		1	6425		
Intrabuilding Network Cable Expense		1	6426		
Aerial Wire Expense		1	6431		
Conduit Systems Expense		1	6441		
PLANT NONSPECIFIC OPERATIONS EXPENSE					
Other Property Plant and Equipment Expenses	1	2	6510	<u>1</u>	<u>2</u> 6510
Property Held for Future Telecommunications Use Expense		1	6511	<u>1</u>	<u>6511</u>
Provisioning Expense		1	6512	<u>1</u>	<u>6512</u>

<u>Account Title</u>			<u>Class A</u> <u>Account</u>		<u>Class B</u> <u>Account</u>
<u>INCOME STATEMENT ACCOUNTS</u>					
Network Operations Expenses	1	2	6530	<u>1</u>	<u>2</u> 6530
Power Expense		1	6531		
Network Administration Expense		1	6532		
Testing Expense		1	6533		
Plant Operations Administration Expense		1	6534		
Engineering Expense		1	6535		
Access Expense		1	6540		6540
Depreciation and Amortization Expenses		2	6560	<u>2</u>	<u>2</u> 6560
Depreciation Expenses - Telecommunications					
Plant In Service			6561		<u>6561</u>
Depreciation Expense - Property Held for					
Future Telecommunications Use			6562		<u>6562</u>
Amortization Expense - Tangible			6563		<u>6563</u>
Amortization Expense - Intangible			6564		<u>6564</u>
Amortization Expense - Other			6565		<u>6565</u>
<u>CUSTOMER OPERATIONS EXPENSE</u>					
Marketing	1	2	6610	<u>1</u>	<u>1</u> 6610
Product Management		1	6611		
Sales		1	6612		
Product Advertising		1	6613		
Services	1	2	6620	<u>1</u>	<u>1</u> 6620
Call Completion Services		1	6621		
Number Services		1	6622		
Customer Services		1	6623		
<u>CORPORATE OPERATIONS EXPENSE</u>					
Executive and Planning	1	2	6710	<u>1</u>	<u>1</u> 6710
Executive		1	6711		
Planning		1	6712		
General and Administrative	1	2	6720	<u>1</u>	<u>1</u> 6720
Accounting and Finance		1	6721		
External Relations		1	6722		
Human Resources		1	6723		
Information Management		1	6724		
Legal		1	6725		
Procurement		1	6726		
Research and Development		1	6727		
Other General and Administrative		1	6728		
-Pension and Employee Benefits		3	6728.2	<u>3</u>	<u>3</u> 6728.2
-Payroll Taxes		<u>3</u>	<u>6728.3</u>	<u>3</u>	<u>6728.3</u>
Provisions for Uncollectible Notes Receivable			6790		6790

- 1 Subsidiary record categories required in accordance with paragraph 32.5999(f) of this subpart.
- 2 To be used ~~by Class A telephone Companies~~ to summarize accounts ~~for reporting purposes.~~
- 3 Clearing accounts.

56. SECTION 32.6311 is amended by adding Note A and B as follows:

32.6311 Station Apparatus Expense

Note A: Items that would have been included in this account are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.2.

Note B: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

57. SECTION 32.6341 is amended by adding Note A and Note B as follows:

32.6341 Large Private Branch Exchange Expense

Note A: Items that would have been included in this account are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.2.

Note B: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

58. SECTION 32.6510 is amended to read as follows:

32.6510 Other Property, Plant and Equipment Expenses

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 6511 and 6512. ~~Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in accounts 6511 and 6512.~~

59. SECTION 32.6560 is amended to read as follows:

32.6560 Depreciation and Amortization Expenses

This account shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 6561 through 6565. ~~Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in accounts 6561 through 6565.~~

60. SECTION 32.6728 is amended by designating the text as paragraph (a) and adding paragraph (b) as follows:

32.6728 Other General and Administrative.

- (a) This account shall include costs incurred in performing general administrative activities not directly charged to the user, and not provided for in other accounts. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums

for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.

(b) Companies may wish to establish the following clearing subaccounts:

6728.2 Other General and Administrative - Pension and Employee Benefits

6728.3 Other General and Administrative - Payroll Taxes

61. SECTION 32.6999, paragraph (b) is amended to read as follows:

32.6999(b) Other Income Accounts Listing

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
OTHER OPERATING INCOME AND EXPENSE		
Other Operating Income and Expense	¹ 7100	¹ 7100
Income from Custom Work	7110	<u>7110</u>
Return from Nonregulated Use of Regulated Facilities	7130	<u>7130</u>
Gains and Losses from Foreign Exchange	7140	
Gains or Losses from Disposition of Land and Artwork	7150	
Other Operating Gains and Losses	7160	<u>7160</u>
OPERATING TAXES		
Operating Taxes	¹ 7200	¹ 7200
Operating Investment Tax Credits - Net	7210	<u>7210</u>
Operating Federal Income Taxes	7220	<u>7220</u>
Operating State and Local Income Taxes	7230	<u>7230</u>
Operating Other Taxes	7240	<u>7240</u>
Provision for Deferred Operating Income Taxes - Net	7250	<u>7250</u>

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
NONOPERATING INCOME AND EXPENSE		
Nonoperating Income and Expense	1 7300	<u>1 7300</u>
Dividend Income	7310	<u>7310</u>
Interest Income	7320	<u>7320</u>
Income from Sinking and Other Funds	7330	<u>7330</u>
Allowance for Funds Used During Construction	7340	<u>7340</u>
Gains or Losses from the Disposition of Certain Property	7350	<u>7350</u>
Other Nonoperating Income	7360	<u>7360</u>
Special Charges	7370	<u>7370</u>
NONOPERATING TAXES		
Nonoperating Taxes	1 7400	<u>1 7400</u>
Nonoperating Investment Tax Credits - Net	7410	<u>7410</u>
Nonoperating Federal Income Taxes	7420	<u>7420</u>
Nonoperating State and Local Income Taxes	7430	<u>7430</u>
Nonoperating Other Taxes	7440	<u>7440</u>
Provision for Deferred Nonoperating Income Taxes - Net	7450	<u>7450</u>
INTEREST AND RELATED ITEMS		
Interest and Related Items	1 7500	<u>1 7500</u>
Interest on Funded Debt	7510	<u>7510</u>
Interest Expense - Capital Leases	7520	<u>7520</u>
Amortization of Debt Issuance Expense	7530	<u>7530</u>
Other Interest Deductions	7540	<u>7540</u>
EXTRAORDINARY ITEMS		
Extraordinary Items	1 7600	7600
Extraordinary Income Credits	7610	
Extraordinary Income Charges	7620	
Current Income Tax Effect of Extraordinary Items - Net	7630	
Provision for Deferred Income Tax Effect of Extraordinary Items - Net	7640	
JURISDICTIONAL DIFFERENCES AND NONREGULATED INCOME ITEMS		
Income Effect of Jurisdictional Rate-making Differences - Net	7910	7910
Nonregulated Net Income	7990	7990
Other Nonregulated Revenues	7991	7991

¹ To be used by Class A companies to summarize accounts for reporting purposes.

62. SECTION 32.7100 is amended to read as follows:

32.7100 Other Operating Income and Expenses

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 7110 through 7160. ~~Class B companies shall use this account for other operating income and expense items of the type and character required of Class A companies in accounts 7110 through 7160.~~

63. SECTION 32.7160 is amended to read as follows:

32.7160 Other Operating Gains and Losses

This account shall be charged or credited, as appropriate, to record the results of transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

Class B companies shall use this account for other operating income and expense items of the type and character required of Class A companies in accounts 7140 through 7160.

64. SECTION 32.7200 is amended to read as follows:

32.7200 Operating Taxes

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 7210 through 7250. ~~Class B telephone companies shall use this account for operating taxes of the type and character required of Class A companies in accounts 7210 through 7250.~~

65. SECTION 32.7250 is amended by adding paragraph (c) as follows:

32.7250 Provision for Deferred Operating Income Taxes - Net

(c) This account is not adopted by this commission; however, any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this commission.

66. SECTION 32.7300 is amended to read as follows:

32.7300 Nonoperating Income and Expense

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 7310 through 7370. ~~Class B telephone companies shall use this account for nonoperating income and expense items of the type and character required of Class A companies in accounts 7310 through 7370.~~

67. SECTION 32.7360 paragraph (b) (8) is not adopted by this commission.

68. SECTION 32.7400 is amended to read as follows:

32.7400 Nonoperating Taxes

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 7410 through 7450. ~~Class B telephone companies shall use this account for nonoperating taxes of the type and character required of Class A companies in accounts 7410 through 7450.~~

69. SECTION 32.7450 is amended by adding paragraph (c) as follows:

32.7450 Provision for Deferred Nonoperating Income Taxes - Net

(c) This account is not adopted by this commission; however, any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report on an annual and monthly (aggregated) basis intrastate results under the normalization method followed by this commission.

70. SECTION 32.7500 is amended to read as follows:

32.7500 Interest and Related Items

This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of accounts 7510 through 7540. ~~Class B telephone companies shall use this account for interest and related items of the type and character required of Class A companies in accounts 7510 through 7540.~~

71. SECTION 32.7990 is amended by revising paragraphs (a) and (b) and adding Note A as follows:

32.7990 Nonregulated Net Income.

~~(a) This account shall be used by those companies who offer nonregulated activities that do not involve the joint or common use of assets or resources used in the provision of both regulated and nonregulated products and services, and which have not established a separate subsidiary for that purpose.~~

(a) This account shall include the net earnings or losses derived from nonregulated operations of the company. Earnings or losses from nonregulated operations shall reflect all revenues, direct expenses and any joint expenses allocable to nonregulated operations, including the related income tax effects.

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.

~~(b) All revenues and expenses (including taxes) incurred in these nonregulated activities shall be recorded on separate books of account for such operations. Only the net of the total revenues and total expenses shall be recorded in this account, with a contra debt or credit to account 14.06.3.~~

(b) This account shall be maintained by the following subaccounts:

7990.1 Nonregulated Revenues

7990.2 Nonregulated Expenses

(i) These accounts shall include respectively, all revenues derived from nonregulated activities and all expenses incurred in such activities.

(ii) Records in support of these accounts shall be so kept as to permit ready summarization of revenues, costs and expenses by major items such as equipment sales, repair revenues, cost of goods sold, sales labor, installation labor, repair labor, materials and supplies for installation, maintenance and repair billing costs, advertising and promotions, administrative and supervisory labor, office supplies and expenses, rents, insurance, pensions and benefits, depreciation and taxes.

ITEMS

Account 7990.1

1. Revenues from the sale and installation of new nontariffed telephone equipment and inside wire.
2. Revenues from the sale and installation of other nonregulated equipment.
3. Revenues from the lease of nontariffed telephone equipment and inside wire.
4. Revenues from the lease of other nonregulated equipment.
5. Revenues from repair of customer owned telephone equipment and inside wire.
6. Revenue from the repair of other nonregulated equipment.
7. Revenues from all other nonregulated activities.

Account 7990.2

Labor

1. Canvassing and demonstrating telephone equipment or inside wiring for the purpose of selling.
2. Demonstrating and selling activities in salesroom.
3. Installing nontariffed leased or customer owned equipment and inside wiring.
4. Preparing advertising materials for equipment lease or sales purposes or for other nonregulated activities.
5. Receiving and handling orders for the sale, lease, installation and maintenance of customer owned or nontariffed leased telephone equipment and inside wiring and other nonregulated activities.
6. Cleaning and tidying salesrooms.
7. Maintaining display counters and other equipment used in telephone equipment merchandising and other nonregulated activities.
8. Arranging merchandise in salesrooms and decorating display windows.
9. Reconditioning repossessed and returned equipment.
10. Bookkeeping and other clerical work in connection with telephone equipment sales and leasing and other nonregulated activities.

11. Supervising telephone equipment sales and leasing and other nonregulated activities.
12. Repair and maintenance of customer owned or leased equipment.

Materials and Expenses

13. Advertising in newspapers, periodicals, radio, television, etc.
14. Cost of merchandise sold and of materials used.
15. Stores expenses on telephone equipment stocks held for sale or lease.
16. Fees and expenses of advertising and commercial artists' agencies.
17. Printing booklets, dodgers, and other advertising data.
18. Premiums given as inducement to buy or lease telephone equipment.
19. Light, heat and power.
20. Depreciation on equipment used for installation, repair or maintenance of customer owned or leased telephone equipment and inside wire.
21. Rent of salesrooms or of equipment.
22. Transportation expense in delivery and pick-up of customer owned or leased equipment.
23. Stationery and office supplies and expenses.
24. Losses from uncollectible accounts associated with the sale and lease of telephone equipment and other nonregulated activities.
25. Related taxes.

72. SECTION 32.7991 is amended by adding Note A as follows:

32.7991 Other Nonregulated Revenues

Note A: Any Class A and B telephone utility subject to the jurisdiction of the FCC may elect to follow accounting prescribed by FCC for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this Commission.